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ABSTRACT

The first of nine hearings on reauthorization of the Higher Education Act, held in Washington, District of Columbia, (D.C.), addressed financing a college education including grants versus loans and supplemental student aid programs. The second hearing, held in Vermont, featured executives of local education institutions, college and high school students, and officers from the state educational loan agency. The third hearing, held in Illinois, included testimony on structuring federal aid to higher education from officials in higher education, teachers, students, city officials and others. The fourth and fifth hearings were held in Connecticut and featured witnesses from that state on access and choice issues in higher education. The sixth hearing was held in Washington, D.C. and featured the Secretary of the Department of Education, Lamar Alexander. The seventh hearing, held in Maryland, included officials from universities, colleges, and community colleges around the state and a panel of college students. The eighth hearing took place in Washington, D.C. and focused on the simplification of application procedures. The ninth hearing was held in South Carolina and featured witnesses on the historically black colleges and universities. The text contains the prepared statements of witnesses as well as many other statements, letters and additional materials submitted for the record. (JB)

S. HRG. 102-221 Pt. 1

REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965

HEARINGS

BEFORE THE

SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES

OF THE

COMMITTEE ON LABOR AND HUMAN RESOURCES

UNITED STATES SENATE

ONE HUNDRED SECOND CONGRESS

FIRST SESSION

ON

EXAMINING PROPOSED LEGISLATION AUTHORIZING FUNDS FOR PROGRAMS OF THE HIGHER EDUCATION ACT

MARCH 26, MONTPELIER, VT; MARCH 27, CHICAGO IL; APRIL 2, HARTFORD, CT; APRIL 3, MYSTIC, CT; APRIL 19, CATONSVILLE, MD; APRIL 30, ORANGEBURG, SC; MARCH 21, APRIL 11, AND 26, 1991, WASHINGTON, DC

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REAUTHORIZATION OF THE HIGHER EDUCATION ACT: FINANCING A COLLEGE EDUCATION

WEDNESDAY, MARCH 21, 1991

U.S. SENATE,
SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES, OF THE
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, DC.

The subcommittee met, pursuant to notice, at 10 a.m., in room SD-430, Dirksen Senate Office Building, Senator Claiborne Pell (chairman of the subcommittee) presiding.

Present: Senators Pell, Simon, Wellstone, Kassebaum, and Jeffords.

OPENING STATEMENT OF SENATOR PELL

Senator PELL. This hearing of the Subcommittee on Education, Arts and Humanities will come to order.

This is our third reauthorization hearing in higher education. In our first hearing, "American Higher Education and the Future," held February 21, 1991, we focused on what I would call the lay of the land—upon the demographics of higher education, upon the relationship of higher education to our work force needs, and also upon how higher education is responding and not responding.

Our second hearing, held jointly with the House, occurred on Monday of this week. Unfortunately, I had to be in Rhode Island that day and could not be present. It was composed of students from the United States Student Association who testified on the financial aid needs of students. It was, as I understand, a lively and productive hearing, and I regret very much that I was unable to be there.

This particular hearing will follow the course set by Monday's hearing and focus on the financing question. We will hear first from a panel that will give us an overall picture of the trends that are taking place as students and families try to pay for a college education.

We will focus in the second panel on the critical question of the balance between grants and loans and particularly, I hope, on the very real need to reverse the present trend which is so terribly on the side of loans.

Finally, we will look carefully at some supplemental student aid programs, which include not only the campus-based programs already in existence, but also a new idea which, as one among many,

should be given careful and thoughtful consideration as we proceed with our reauthorization work.

Senator PELL. We have three panels today. I believe you all have been instructed to be brief in your statements so we'll have an opportunity for exchange of ideas and questions.

Our first panel consists of Dr. Hoke L. Smith, president of Towson State University, Towson, MD; Dr. Richard Rosser, president of the National Association of Independent Colleges and Universities here in Washington; and Ms. Norine Fuller, executive director of the Washington office, Fashion Institute of Design and Merchandising, Washington, DC.

Dr. Smith, would you please lead off?

STATEMENTS OF HOKE L. SMITH, PRESIDENT, TOWSON STATE UNIVERSITY, TOWSON, MD, ON BEHALF OF AMERICAN COUNCIL ON EDUCATION; RICHARD F. ROSSER, PRESIDENT, NATIONAL ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES, WASHINGTON, DC; AND NORINE FULLER, EXECUTIVE DIRECTOR, WASHINGTON OFFICE, FASHION INSTITUTE OF DESIGN AND MERCHANDISING, WASHINGTON, DC

Mr. SMITH. Thank you very much, Mr. Chairman.

I am representing today the American Council on Education as vice chair of the board. I appreciate this opportunity to present the testimony of the council and am particularly pleased to present the joint testimony on behalf of some dozen national associations.

For the past 18 months, these associations have been working together to identify needed changes in the act and to develop specific recommendations. The testimony that I will enter into the record today offers consensus recommendations for significant changes in the title IV student aid programs.

The testimony does contain a section which describes the current situation and both the accomplishments and the problems of our current student financial aid approach.

We appreciate the support that higher education has received in the past and the creative thought that has gone into the design of that report. Yet the past decade has brought many changes. As a result, we believe that major modifications are needed in student financial aid.

We recognize that this testimony is just the beginning of the discussion. Therefore my oral presentation will be brief and just hit the high points.

Our recommendations are broad in scope. We call for major changes in the Pell grant formula to accompany a substantial increase in the maximum award, with legislative modifications to prevent the reduction of awards and to tie future increases to the Consumer Price Index. We also propose substantial changes in the campus-based programs to establish new incentives for academic retention and completion.

We recommend several modifications in the loan programs, including a new authority for directly lending, and more flexible repayment options for borrowers. New authority is proposed to encourage States to establish or expand early intervention programs

for at-risk students in grades 6 through 12 to give them a better chance to obtain a postsecondary education.

We also recommend new legislative steps to strengthen the administration of student aid programs by the Department of Education; to reform the regulatory process, and to assure the integrity of the programs by strengthening institutional accountability and State licensure standards, and improving the effectiveness of the accrediting agencies.

Finally, we call for the repeal of the unfunded and outdated title IV authorizations.

Because title IV programs have such central roles in both collegiate education and short-term manpower training, reauthorization should assure that adequate Federal resources are made available for both. At the present time, the funding is spread thin and therefore has lost some of its effectiveness.

We also have the problem of the pressure to cut the Federal deficit and the substantial increase in the number of older independent recipients whose incomes are so low that they are entitled to large awards.

The diverse populations served by Federal student aid requires a range of programs targeted to specific needs. That philosophy is behind the recommendations which we have.

The recommendations include providing more adequate and reliable grant assistance for needy students, targeting a greater amount to the neediest and extending assistance to dependents of working poor and moderate-income families, expanding loan availability to meet student and family cash flow needs, stimulating greater academic persistence, completion and achievement by college students, and encouraging junior and senior high school students of ability to stay in school and improve their preparation for college, and strengthening public confidence in the integrity of the Federal student financial aid programs by clarifying the responsibilities of the Department of Education, strengthening provisions for institutional eligibility and accountability, and tightening standards for accreditation and State licensure.

In the area of the Pell grants, we recommend that the maximum be increased to $4,000 and adjusted annually thereafter based on the Consumer Price Index.

We also recommend that to improve the equity of the Pell grant program that the formula for determining individual awards be changed to make the maximum award equal to $2,500 for living expenses plus 25 percent of tuition, not to exceed $1,500 minus the expected family contribution. We do have a two-page handout on that if you wish to have us read that into the record.

Third, we recommend that the Education Department should be required to borrow from the following year whenever appropriated funds are insufficient.

We strongly support continuation of the campus-based programs and have a number of recommendations concerning those which include expanding the authority to transfer funds among campus-based programs, specifically permitting institutions to transfer up to 25 percent of the funds among the programs.

We also strongly recommend an important new authority for the SSIG program to provide Federal matching, to encourage States to

establish or expand early intervention programs for at-risk secondary students, and also recommend the addition of a national information program to publicize the availability of student aid.

We recommend modifications in the loan programs to create a new direct lending program using Federal capital under the mandatory spending cap for institutions with a proven record of financial management. This would be enabling, not mandatory; to establish a set of more flexible repayment options for borrowers with a high ratio of debt to income after leaving school, including a requirement that lenders provide a graduated repayment schedule for all borrowers who request it; and recognize the erosion in the value of loans due to inflation over the past decade by raising loan limits.

The rest of my statement is in the record, sir.

Senator PELL. Thank you very, very much, and we'll return for some dialogue after Dr. Rosser and Ms. Fuller have testified.

[The prepared statement of Mr. Smith follows:]

PREPARED STATEMENT OF HOKE L. SMITH, PRESIDENT, TOWSON STATE UNIVERSITY

Mr. Chairman and Members of the Subcommittee:

I am Hoke L. Smith, President of Towson State University and Vice Chair of the Board of the American Council on Education, the national umbrella association representing all sectors of American higher education. I appreciate this opportunity to testify at the Subcommittee's hearings leading to reauthorization of the Higher Education Act.

I am particularly pleased to present joint testimony on behalf of some dozen national associations. For the past 18 months we have been working together through task forces and extensive consultation with our constituencies to identify needed changes in the Act, and to develop specific recommendations.

Today, we offer our consensus recommendations for significant changes in the Title IV student aid programs. Our testimony will first outline the role of federal assistance in helping needy students and their families finance postsecondary education, highlighting serious problems in the system that need to be corrected. We will then outline our proposals to provide more adequate, reliable, and equitable assistance for needy students.

Our recommendations are broad in scope. We call for major changes in the Pell Grant formula to accompany a substantial increase in the maximum award, with legislative modifications to prevent the reduction of awards and to tie future increases to the Consumer Price Index. We also propose substantial changes in the campus-based programs to establish new incentives for academic retention and completion.

We recommend several modifications in the loan programs, including a new authority for direct lending, and more flexible repayment options for borrowers. New authority is proposed to encourage states to establish or expand early intervention programs for at-risk students in grades six through twelve to give them a better chance to obtain a postsecondary education.

We also recommend new legislative steps to strengthen administration of federal student aid programs by the Education Department; to reform the regulatory process; and to assure the integrity of the programs by strengthening institutional accountability and state licensure standards, and improving the

effectiveness of the accrediting agencies. Finally, we call for the repeal of unfunded and outdated Title IV authorizations.

The Contributions and Limitations of Federal Student Aid

The federal government is the major partner in the financial aid system which enables students to pursue the education and training they need to be productive citizens. Federal aid now accounts for $20 billion, or 70 percent of the total $28 billion in grants, loans, and work supplied from federal, state, and institutional sources. Over 5 million of the 6 million students assisted receive aid from the federal programs, without which many would be unable to finance their education.

More than ever, America needs an educated citizenry with the knowledge, values, and skills to participate in our democratic technological society with its complex international relationships. This will require significant increases in federal student assistance, targetted in specific problem areas and tailored to the needs of specific groups, because the demand for postsecondary education and training continues to increase, and the range of needs is broad.

Total collegiate enrollments are increasing and now exceed 13 million despite a decline in the traditional college-age population, largely due to growing numbers of older and part-time students. The demand for baccalaureate and higher degrees is still high in four-year institutions, particularly among the traditional college-age group. However, in the expanding public two-year college universe about 70 percent are enrolled in vocational programs leading to associate degrees or certificates. Further, the rapid growth in Title IV participation of students enrolled in short-term proprietary schools over the past decade speaks to the need of large numbers of people to obtain work skills to enhance their employability.

Because the Title IV programs have such central roles in both collegiate education and short-term manpower training, reauthorization should assure that adequate federal resources are made available for both. Current funding of the programs is spread too thin to provide needed assistance to the large number of individuals with diverse backgrounds and postsecondary goals.

Many people think of the Job Training Partnership Act as the only source of funds for manpower training, but Title IV HEA programs have become major vehicles for financing both job training and collegiate education. Over $1 billion in Pell Grant funds goes annually to students attending public two-year colleges, another $1 billion goes to students in short-term vocational schools, and the remaining $2.5 billion goes to students in baccalaureate degree-granting institutions. Student loans are also used extensively for manpower needs: about $4 billion is borrowed each year by students in vocational programs at community colleges or trade schools.

Congress has attempted to keep up with this expanding need. Appropriations for Pell Grants more than doubled between FY 79 and 91--from $2.4 billion to over $5 billion, an increase of almost 20 percent in constant dollars. But this increase has been insufficient for the maximum award to keep pace with inflation. While it increased from $1800 to $2400 between FY 79 and 91, it declined as a percentage of average college costs from 46 percent to 25 percent. In constant dollars as measured by the CPI, it has declined 28 percent.

During the 1980's, two major events made it difficult for Congress to increase the Pell maximum and contributed to a dramatic change in the Pell Grant population:

- The pressure to cut the federal deficit caused no increase in the maximum award for seven out of twelve years. Further, several hundred thousand students were eliminated from eligibility in 1982 when the tax rates used in computing Expected Family Contributions for dependent students were increased to reduce program costs.

- There was a large increase in the number of older, independent recipients whose incomes were so low they were entitled to large awards. These students are most often enrolled in short-term training programs. The number of recipients with no Expected Family Contribution rose from 972,000 in 1979 to 1.7 million in 1988.

These events contributed to a significant decline in the number of dependent students receiving Pell Grants between 1979 and 1988. The number of recipients 19 years old or younger declined 15 percent during this period. In contrast, the number of recipients 24 years or older nearly tripled, from 588,000 to 1.5 million, or 48 percent of all Pell recipients.

These numbers summarize the expanding demands on the Pell Grant program, the need for a significant increase in the maximum award to restore its value, and for legislation which makes possible annual increases in the maximum award.

The diverse population served by federal student aid requires a range of programs targetted to specific needs. Our highest priority is to increase dramatically the amount of grant resources available to needy students, to restore the value of the Pell Grant and thereby reduce dependence on loans for all needy students. For many low-income students, particularly community college students living at home, this should eliminate the need to borrow. Increases in Supplemental Grants and College Work-Study, which have also lagged seriously behind inflation, can reduce the need for loans for many others.

At the same time, federal loans remain essential for many needy students, including those who are not eligible for Pell Grants. It is evident that more students than ever are borrowing, that loans will be an increasingly large component of the student aid "package" for many students, and that more flexible repayment options are critically needed to help them manage increasing debt. A recent Education Department study indicates that the proportion of college graduates with debt burdens increased from one-third to one-half between 1977 and 1986; the median amount of debt increased from $2000 to $4800, a 33 percent increase in constant dollars.

One of the major goals of Title IV programs, particularly the grant programs, has been to increase the participation of low-income at-risk students, including minority students, to realize the goal of equal postsecondary educational opportunities. Recent national aggregate data on college participation rates and graduation rates of these students have not been encouraging.

Students in these groups tend to have many handicaps to overcome, such as lack of academic preparedness as well as financial resources; and the rates at which they persist in college and graduate are much lower than their fellow students from higher-income backgrounds. Only about 40 percent of low-income students who enter a four-year college persist for four years, or complete a BA within six years, compared to 60 percent of high-income students. About half of the Pell Grant recipients from the high school class of

1980 received a degree or certificate by 1986. Further, dropouts from postsecondary programs constitute half of those defaulting on Stafford loans.

It is increasingly apparent that such students must not only receive increased financal aid, they must have more information and other resources during their middle school and secondary school years to prepare them to pursue the postsecondary programs most appropriate to their needs and interests. In addition, at the postsecondary level, institutions must exert increasing efforts to retain them through to graduation.

Recommendations for Change

As this overview makes clear, we have reached a watershed in the nation's commitment to equal postsecondary opportunity. Reauthorization of the Higher Education Act provides the opportunity to make major changes which are vitally needed to:

- Provide more adequate and reliable grant assistance for needy students, targetting a greater amount to the neediest and extending assistance to dependents of working poor and moderate-income families.

- Expand loan availability to meet student and family cash flow needs, provide more flexible repayment options to reduce the adverse impact of borrowing on those students most at risk, and at the same time reduce the federal cost per dollar loaned.

- Stimulate greater academic persistence, completion and achievement by college students, and encourage junior and senior high school students of ability to stay in school and improve their preparation for college.

- Strengthen public confidence in the integrity of the federal student aid programs by clarifying the responsibilities of the Education Department, strengthening provisions for institutional eligibility and accountability, and tightening standards for accreditation and state licensure.

Following are our recommendations to achieve these objectives:

Pell Grants

We recommend three important changes in the Pell Grant:

• The Pell Grant maximum should be increased to $4,000, and adjusted annually thereafter based on the Consumer Price Index. Such a substantial increase is necessary to repair the erosion of the award over the past decade, and assure that its value is maintained in future years. Such an increase is also necessary to reduce or eliminate borrowing for many students, particularly high-risk students, early in their postsecondary program.

At the same time, it is essential to modify the Pell Grant formula to avoid compounding current inequities which prevent all eligible students from receiving awards proportional to their need.

For very needy students in low-tuition institutions, the current 60-percent-of-cost limitation serves to reduce their awards. For these students, the Pell Grant covers a much smaller percentage of need than for other classmates with higher family incomes. In addition, at current maximum levels and need analysis rules, eligibility is effectively limited to students with family incomes below $35,000, and this limit is reduced further when appropriations for the program are insufficient. The Pell award now covers substantially less of the costs incurred by needy students at four-year colleges and universities than at institutions which do not offer baccalaureate programs.

• To improve the equity of the Pell Grant program, the formula for determining individual awards should be changed to make the maximum award equal $2500 for living expenses, plus 25 percent of tuition (not to exceed $1500), minus Expected Family Contribution (EFC). Future adjustments in the maximum above $4000 would be split equally dollar for dollar between the living cost and tuition components of the formula.

This would simplify the current complex formula, which requires three computations to determine the size of the award.

(Under the current formula the award equals the lesser of: Maximum minus EFC, or Cost minus EFC, or 60 percent of cost.)

The proposed formula would significantly increase awards for all low-income Pell recipients, including a more realistic living allowance (about half the average cost of room, board, and books), while at the same time increasing the tuition-sensitivity of the award in recognition of the needs of students who pay higher direct educational expenses. Eligibility would be expanded to families with incomes up to $43,300 (somewhat below the 1979 eligibility level of $25,000, adjusted for inflation) to increase the participation of working-class families and students attending baccalaureate degree-granting institutions. Awards would be prorated for students attending programs of less than an academic year.

• **The Education Department should be required to borrow from the following year whenever appropriated funds are insufficient.** Removing the Department's authority to reduce awards when its estimates indicate that funds are insufficient would mark an important step to establish greater certainty in the program, so that students can make their educational plans based on assurance of the amount of aid they will receive.

Campus-Based Programs

We strongly support continuation and expansion of the campus-based student aid programs (SEOG, CWS, Perkins Loans) as essential supplements to the Pell Grant program, particularly for needy students attending four-year baccalaureate institutions. Increased authorizations for the programs would increase the prospect of additional assistance, which would give students an alternative to assuming greater debt and a practical option of substituting work for loans. It would also give institutions greater flexibility in packaging assistance according to individual needs.

At the same time, we recommend several substantive changes in the campus-based programs to address the serious problem of low retention and completion rates in postsecondary programs, and to improve the flexibility of the programs to meet individual needs:

• **Establish an incentive for persistence and retention in higher education by allocating additional campus-based**

funds based on the calculated need of eligible aid applicants who have completed the freshman year.

Institutions would continue to award campus-based funds to all classes of students as they do now, but those doing a better job of retaining students and encouraging them to complete their programs would receive a larger allocation of any future increase in funds.

* **Expand authority to transfer funds among campus-based programs. Specifically, permit institutions to transfer up to 25 percent of SEOG, CWS, and Perkins funds among the programs.** Currently only 15 percent of SEOG and CWS funds are permitted to be transferred.

In exchange for such added flexibility to use campus-based aid, the institutional matching requirement could be increased in the aggregate by setting a uniform 25 percent rate for all three programs (currently the match is 10 percent for Perkins, 15 percent for SEOG, 30 percent for CWS). By leveraging additional institutional funds, the increased match would expand the pool of campus-based aid for needy students.

State Student Incentive Grants

The SSIG program has played a critical role in stimulating many states to establish and expand their own grant assistance programs. Therefore we recommend increasing the authorization for the program. At the same time, the current matching requirements should be examined to ensure a continuing growth in state commitments to need-based aid.

We also strongly recommend an important new authority for the SSIG program, to provide federal matching to encourage states to establish or expand early intervention programs for at-risk secondary students.

Several states have already established pioneering early intervention programs, based on a commitment to provide low-income students from sixth grade through high school with mentoring, counseling, and special remedial services they need for academic success, including career planning, early assessment of

eligibility for federal aid, and the assurance of state assistance to attend college if they graduate from high school.

We believe that such a new initiative under the SSIG program would foster a broader effort to develop and expand early identification programs in the states. This would forge a critical link in the expansion of educational opportunities: such programs are based on a growing recognition that the failure to obtain or complete postsecondary education is often attributable to the fact that junior and senior high school students and their parents are unaware of academic prerequisites for college attendance, have inadequate information about the availability of federal student assistance, and lack encouragement to plan for a college education.

In a related recommendation, we propose an amendment to the Title IV General Provisions to authorize funding for a national information campaign to publicize the availability of federal student aid, the importance of postsecondary education in long-term career planning, and the need to complete a high school program which meets college requirements. This would establish a line item in the Education Department budget to broaden early awareness of postsecondary opportunities by junior and senior high school students and their parents.

TRIO Programs

Pursuing the theme of strengthening early identification efforts, we also support the recommendations of the National Council of Educational Opportunity Associations to extend Talent Search programs into the sixth grade, to enhance coordination with other state and private programs operating similar remediation and support programs, and other steps to strengthen programmatic and administrative accountability for the TRIO programs.

The authorization for TRIO should also be increased, to enable the program to reach a larger percentage of at-risk students. Despite their proven success, these programs serve less than ten percent of students eligible for TRIO services because of restricted funding.

Loan Programs

We make several recommendations to expand loan availability to meet the cash flow needs of students and parents, to extend flexible repayment options to student borrowers most at risk, and to effect significant savings in the federal cost of the loan programs:

* **Create a new direct lending program using federal capital under the mandatory spending cap for institutions with a proven record of financial management.** This would make use of the new credit reform accounting rules to provide more loan capital at less cost to the federal government, which in turn would allow a needed expansion of loan limits. No institution would be required to participate; eligible institutions would have the option to initiate, implement and evaluate direct lending on terms and conditions comparable to Stafford Loans. Loan servicing could be contracted; loans would be owned by the federal government and no guarantee would be necessary. Institutions would be compensated for costs such as loan origination.

* **Establish a set of more flexible repayment options for borrowers with a high ratio of debt to income after leaving school, including a requirement that lenders provide a graduated repayment schedule for all borrowers who request it.** This would allow borrowers whose debt exceeds their income to request a repayment plan which does not exceed a reasonable percentage of their income. Further options would allow borrowers to repay through community or military service, or employment in teaching or other critical fields of national need.

* **Recognize the erosion in the value of loans due to inflation over the past decade by raising loan limits, restricting limits for freshmen and permitting larger increases for sophomores, juniors and seniors.** Specifically, we recommend setting the limits for Stafford and Perkins loans at: $3500 for freshmen, $5000 for sophomores, juniors and seniors, $10,000 for graduate and professional students, with aggregate limits at $23,500 for undergraduate and $73,500 for undergraduate and graduate. For SLS we recommend $4000 for freshmen, $6000 for sophomores, juniors and seniors, $10,000 for graduate students, and $78,000 aggregate. For PLUS, we recommend removal of the current limit.

These increased limits would protect needy students from excessive debt in the initial postsecondary year, but permit greater

access to loans as they progress through their postsecondary program. Middle-income families would have greater access to borrowing for educational costs, and could borrow as much as needed to reduce the necessity of student borrowing. We recommend removal of loan eligibility for programs of less than 600 clock hours, and for home-study programs which are not campus-based.

• **Make Stafford interest rates variable after the fourth year of repayment** (e.g., T-bills plus 3.25 percent adjusted annually, with a limit of 12 percent). This would continue the incentive for lender participation and provide cost sharing between the borrower and the government in the latter years of repayment to minimize federal costs attributed to loan subsidies.

Need Analysis

The growth of federal student aid programs over the past three decades has been accompanied by increasing complexity and a proliferation of regulations that have frustrated students, parents, policymakers and administrators of the delivery system. Changing socio-economic patterns have caused severe stresses in the need analysis system, initially designed to meet the needs of young, dependent, full-time students, as an increasing proportion of students are older, independent, studying part-time, and returning to college for retraining or career changes.

We expect to recommend a simplified need analysis system which improves equity in the treatment of assets and determination of the student contribution, as well as an improved delivery system including a single, simplified application form. Our specific proposals will be presented after we have had the opportunity to review the recommendations being prepared by the National Association of Student Financial Aid Administrators.

To assure that the Education Department maintains adequate staffing support for the student aid programs, we recommend amendment of the Title IV General Provisions to establish a line item in the Department's Salaries and Expenses budget for administration of the student aid programs, including the delivery system and oversight activities.

Regulatory Reform

The increase in regulatory burden associated with the Title IV programs over the past decade is in part attributable to two serious policy and procedural failures of the Education Department:

1. The Department has failed to establish performance standards for administration of the programs which recognize the different objectives of different sectors of postsecondary education. Thus, for example, problems that have been identified in short-term skill training programs have resulted in the imposition of inappropriate regulations on two-year and four-year degree granting institutions, which are all forced to jump through burdensome regulatory hoops in order to catch a few who abuse the system.

2. The Department has consistently failed to consult with the higher education community as it develops regulations in difficult problem areas. As a result, regulations published in the Federal Register often propose unrealistic and unworkable solutions which take the community by surprise, create an uproar of controversy, and require the intervention of Congress to resolve.

Notorious examples of these characteristic failures of the Department can be cited from recent months, including its decisions concerning minority scholarships and proposed regulations for clock hour/credit hour conversions and testing of Ability To Benefit students.

To reduce the regulatory burden and assure that the community is consulted in advance on a regular basis, as part of the process of developing regulations, we recommend that:

* The Department be required to engage in negotiated rulemaking on controversial issues.

* The Department be required to assess and report on the regulatory burdens of the different sectors of postsecondary education, in consultation with the community.

* The Secretary be required to establish, in consultation with the community, performance-based standards for the administration of Title IV programs by different types of institutions, including

criteria for waiving regulatory requirements for institutions which meet appropriate alternative standards.

* The Secretary should also be authorized to make demonstration grants to institutions to encourage innovative approaches that improve the administration and reduce the regulatory burden of federal programs.

Strengthening the Integrity of the Student Aid Programs

We recommend a series of steps to address the problems of rising loan default costs and mismanagement of the student aid programs--including fraud and abuse--which have received widespread media attention, and which have undermined the credibility of the student aid programs. These are serious problems, and Congress has already taken several actions in recent years to deal with them, but we believe that further action is necessary in the following areas:

Clarifying the Responsibilities of the Department

Require the Department to develop objective performance standards in consultation with the higher education community, including reliable criteria for identifying institutions experiencing problems in administering Title IV programs.

Require the Department to conduct program reviews on a systematic basis which would include all institutions participating in Title IV programs over a three-year period. Based on these reviews, the Department should prepare and issue an annual report evaluating the nature and extent of regulatory and administrative problems in the programs and their frequency by type of institution. The Department should also be required to conduct recertification reviews for all institutions over a five-year period, on a targetted basis using reliable objective criteria developed in cooperation with the community, including criteria for automatic recertification and for on-site reviews.

Strengthening Institutional Eligibility and Accountability

Require all institutions to provide detailed information on revenues and expenditures for the Integrated Postsecondary Education Data System (IPEDS, administered by NCES).

Require all agencies involved in oversight of postsecondary institutions to provide the Department with notice of all approvals, denials, or other actions taken.

Prohibit institutions from paying any commission or bonus for enrolling students.

Improving State Licensure Standards

In conjunction with its determination that an institution is eligible for Title IV assistance, the Department should be authorized to make a determination that the state in which it is located has established licensure laws and policies which meet or exceed federal standards, and has the capacity for oversight, investigation, and determination of compliance with these laws. The Department should develop uniform standards for federal recognition of state licensing agencies, based on the principles recently developed by the State Higher Education Executive Officers. These principles should provide the basis for the Department to delegate oversight, investigation, or administrative decision-making authority.

States should be required to report any negative action affecting the license of an institution to operate, including denial, suspension, or termination of authority, and the final results of any on-site review, to the regional or national accrediting body and the Education Department.

The Department should be authorized to require states to provide for teachout of students attending postsecondary institutions which close. The Department should require assurances from the states that their teachout and tuition recovery provisions adequately protect federal interests.

Strengthening Accrediting Bodies

Establish new federal standards for recognizing accrediting agencies for purposes of federal student aid eligibility, including requirements that the agency is regional or national, that membership is voluntary, that it is separate and independent from its professional membership organization, and that its academic standards assure high standards of quality.

Repeal of Programs

Our review of Title IV has also identified two programs which should be repealed:

Part A Subpart 7, "Assistance to Institutions of Higher Education," was included in the Higher Education Act in 1972 and has never been funded. In view of the overriding priority for expanding student asistance, we do not believe it is realistic to retain this Subpart with its complex formula for cost-of-education payments based on the number of federally-aided students and the type of institution.

Part D, "Income Contingent Direct Loan Demonstration Project," was added in 1986. It should be replaced by the new authority recommended above to establish more flexible provisions for repayment of all federal loans.

PROPOSAL FOR REVISION OF PELL GRANT FORMULA

Background:

To reverse a decade of erosion in the value of the Pell Grant, it is necessary to increase the maximum award substantially. At the same time, it is essential to assure that all needy students receive awards proportional to their need. This requires changing the formula to avoid compounding current inequities. Specifically, changes are needed to:

* **Increase awards for needy students at all institutions.** Grant awards have lagged far behind the Consumer Price Index, forcing undue reliance on loans.

* **Provide greater equity in awards for low-income students.** The current 60-percent-of-cost limitation only serves to reduce awards for students with low Expected Family Contributions (EFC) in low-tuition institutions. For many recipients at such institutions, the formula also produces awards that meet a smaller percentage of need than those of classmates with higher EFCs.

* **Improve the capacity of the Pell program to serve students from working-class families.** The current formula effectively ends eligibility at family incomes of about $35,000, and this limit is reduced when funds are insufficient.

* **Provide more adequate resources to students attending baccalaureate as well as shorter-term programs.** While the Pell award now covers much of the costs of shorter-term program, it covers substantially less of the costs that needy students incur at four-year colleges and universities.

* **Replace the current, complex formula with one which is easier to understand as well as more equitable.** The current formula requires three computations, with the award equalling the lesser of:

Maximum - EFC;
Cost - EFC; or
60% of cost.

Recommendation:

Increase the maximum award to $4000, composed of two basic elements: $2500 for living expenses (about half of average expenses for room, board and books), and up to $1500 for tuition (limited to 25% of tuition). The formula for determining individual awards would be:

$2500 (living expenses) + 25% of tuition (NTE $1500) - EFC

Total cost of the Pell Grant program to fund a $4000 maximum would be $8.4 billion. In future years the maximum would be tied to the cost of living; increases would be applied equally to living expenses and tuition.

The proposed formula would:

* Significantly increase awards for all low-income Pell recipients. Currently low-income students are effectively limited to $1440 for expenses and $960 for tuition.

* Expand eligibility to families with incomes up to $43,300, with awards reduced proportionately as EFCs increase.

* Improve the tuition-sensitivity of the award. Thus, a zero EFC student would receive $2875 at an institution with tuition of $1500: $2500 plus $375 (25 percent of $1500). The same student would receive $3600 at an institution with a tuition of $4400: $2500 plus $1100 (25 percent of $4400); and $4000 at an institution with a tuition of $6000 or more: $2500 plus $1500 (25% of $6000). The current formula provides $2400 for all zero EFC students at institutions with tuitions of $1600 or more, and dependent recipients with family incomes over $21,000 receive the same awards regardless of the type of institution attended.

The following charts compare the distribution of awards under the present and the proposed Pell Grant formulas (A), and the percentage of need met by the current formula for students at institutions with tuitions of $500-$2000 (B) and those at institutions with tuitions of $2500-$4000 (C) with the percentage of need met by the proposed formula (D) and (E):

COMPARISON OF CURRENT LAW AND PELL GRANT PROPOSAL

PELL PROPOSAL: Formula: (25% of Tuition NTE $1,500 + $2,500) - EFC

Awards

TUITION	EXPECTED FAMILY CONTRIBUTION								
	$0	$500	$1,000	$1,500	$2,000	$2,500	$3,000	$3,500	$3,800
$0	$2,500	$2,000	$1,500	$1,000	$500	$0	$0	$0	$0
$200	$2,550	$2,050	$1,550	$1,050	$550	$0	$0	$0	$0
$500	$2,625	$2,125	$1,625	$1,125	$625	$0	$0	$0	$0
$700	$2,675	$2,175	$1,675	$1,175	$675	$0	$0	$0	$0
$1,000	$2,750	$2,250	$1,750	$1,250	$750	$250	$0	$0	$0
$1,200	$2,800	$2,300	$1,800	$1,300	$800	$300	$0	$0	$0
$1,600	$2,900	$2,400	$1,900	$1,400	$900	$400	$0	$0	$0
$1,700	$2,925	$2,425	$1,925	$1,425	$925	$425	$0	$0	$0
$2,700	$3,175	$2,675	$2,175	$1,675	$1,175	$675	$0	$0	$0
$5,200	$3,800	$3,300	$2,800	$2,300	$1,800	$1,300	$800	$300	$0
$7,700	$4,000	$3,500	$3,000	$2,500	$2,000	$1,500	$1,000	$500	$200
$12,700	$4,000	$3,500	$3,000	$2,500	$2,000	$1,500	$1,000	$500	$200

Current Law Awards

TUITION	EXPECTED FAMILY CONTRIBUTION								
	$0	$500	$1,000	$1,500	$2,000	$2,500	$3,000	$3,500	$3,800
$0	$1,440	$1,440	$1,400	$900	$400	$0	$0	$0	$0
$200	$1,580	$1,580	$1,400	$900	$400	$0	$0	$0	$0
$500	$1,740	$1,740	$1,400	$900	$400	$0	$0	$0	$0
$700	$1,860	$1,860	$1,400	$900	$400	$0	$0	$0	$0
$1,000	$2,040	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$1,200	$2,160	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$1,600	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$1,700	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$2,700	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$5,200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$7,700	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$12,700	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

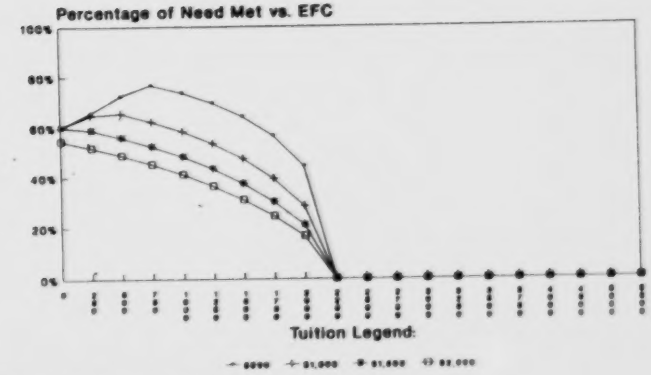
Except for low-income students in low-tuition institutions, most students receive the same award regardless of educational costs.

American Council on Education
Office of Legislative Analysis

2/26/91

Current Pell Formula

Min (60% Cost, Max-EFC, Cost-EFC)
Cost at Current Max: $5.3 billion



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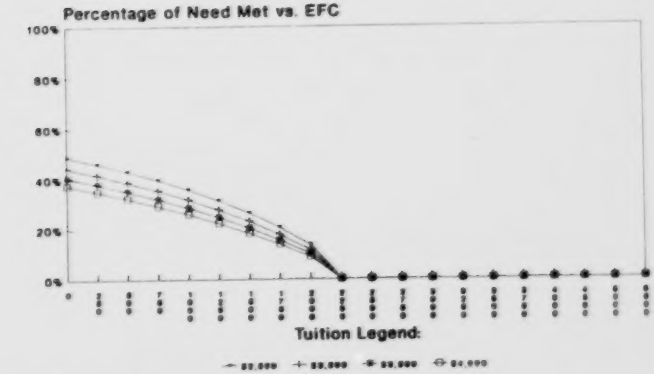
Current Pell Formula

Min. (60% Cost, Max-EFC, Cost-EFC)
Cost at Current Max: $5.3 billion



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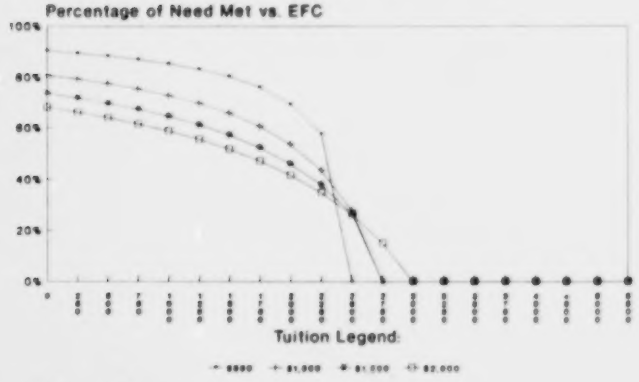
Proposed Pell Formula

($2500 + 25% of Tuition NTE $1500) - EFC

Estimated Cost: $8.5 billion



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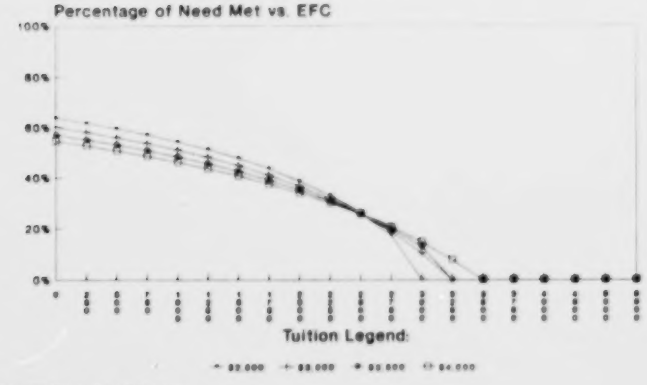
Proposed Pell Formula

($2500 + 25% of Tuition NTE $1500) - EFC

Estimated Cost: $8.5 billion



American Council on Education
Division of Governmental Relations

Senator PELL. Dr. Rosser.

Mr. ROSSER. Thank you very much, Senator Pell.

I think this clearly is going to be the most important piece of legislation in my view that is going to be passed in the next year. We are talking about the investment in the future of this country.

I would like to start off by saying that we fully endorse this joint position which Dr. Smith just gave to us. This is the result of many months of hard work.

But what I want to talk about today in particular is the plight of middle-class America when it is beginning to think about education. What we all worry about is that the middle class increasingly is finding it difficult to have any choice in higher education in this country. We talk about the fact that we have the best system of higher education, but what does that mean if people really don't have a choice among institutions?

What I'd like to show is through the use of four charts the dilemma that I think we now find ourselves in in this country and that the middle class finds itself in.

The first chart shows what has happened to students at private colleges and universities in terms of financial aid starting from 1975. And as you can see—and this is adjusted for 1987-1988 dollars—the contribution of the Federal Government back where that chart starts was almost $3.5 billion. It has now gone down to approximately $1 billion. Meanwhile, the contributions of private colleges themselves have escalated dramatically until we now find ourselves giving almost $2.5 billion—and actually in current dollars, that would be more like $3 billion, and by the time you add in graduate aid you are up to $4 billion from private colleges and universities.

Now let's take a look at one particular school, Senator, which you are quite familiar with, Salve Regina in Newport, RI. Look at what has happened to their institutional aid budget. That is dramatic.

Now, what this means is less money for science labs, less money for books in the library, less money for faculty salaries—and our faculty in private colleges and universities all over the country are paid less than in State colleges and universities. That is the dilemma we find ourselves in.

Now I'd like to talk about two specific case studies of students, if we could move ahead to the next chart. What we are talking about now are middle class families. These are actual families. We have changed the names of the students. We're calling this student "Shelley." She goes to Bethel College in North Newton, KS. Tuition and fees are about $7,000. That's below the national average which is $7,800. Her parents would seem comfortably middle-income, with an income of $43,000. But the father is a farmer, the mother is working in a photographic studio. Yes, they have home equity; they have farm equity.

What this doesn't show is they owe $27,000 on that home and $200,000 on the farm. Now, because their assets are counted in, the parents alone are supposed to come up with about $7,500, and then of course Shelley has to come up with $1,500.

We're not sure whether Shelley is going to be able to make it next year. She cannot qualify for a Stafford Loan. If we took those

assets out, she could qualify. But as you can see, she's got a couple of grants from the college and then the Kansas State grant, but nothing at all, of course, from the Federal Government.

Now we'll move on to the next chart. This is Michelle, who goes to Salve Regina. Michelle is in her senior year. She wants to be a bilingual teacher in the public school system. Her parents income, again just like the income in the family in Kansas, but I expect it is a little more expensive to live in Rhode Island—and this also doesn't show that there is another son in college, and the mother also is taking courses, so you have three members of this family going to college. They have total assets of about $300; they have never owned a home.

Because of this, they are only expected to come up with $1,800 for Michelle. But look at the financial need—$14,700 after that family contribution is inserted—after Salve Regina puts in $3,200 and then after Michelle borrows the maximum Stafford, and she's got a Perkins Loan, and they still can only come up with $10,700. We don't know how she does it. There is a $4,000 gap.

We called the school, and we found out she doesn't pay her bills on time. She is having an awful time getting through school. She is going to graduate this spring. She then wants to teach in the Providence school system. We called; the top salary for an entering student is $21,000. She is going to start off with a $3,000 annual payment on the $17,000 she has borrowed.

So what is the problem there? In a curious way, if she had had more money she could have closed the gap in terms of loans, but then if she had had a longer time to pay it back, with flexible terms, based on her income, and then why not indeed write off at least part of her debt because she is going to teach in the inner city—an extremely important investment.

This is all by way of showing the dilemma the middle class in the United States now finds itself in. We've got to find a way to help these people. They are the backbone of this country. They are the backbone of your constituency. They are the people who are really being left out.

Thank you very much.

Senator PELL. Thank you very much. Dr. Rosser.

[The prepared statement of Mr. Rosser follows:]

Prepared Statement of Mr. Rosser

Good morning Mr. Chairman and members of the subcommittee. I am pleased to be able to come before you today to offer testimony related to the reauthorization of the Higher Education Act of 1965. As president of the National Association of Independent Colleges and Universities (NAICU), I am speaking on behalf of more than 800 member institutions that are as diverse as our nation itself. They include traditional liberal arts colleges, major research universities, church- and faith-related colleges, historically black colleges, women's colleges, junior colleges, and schools of law, medicine, engineering, business, and other professions.

The extraordinary diversity in the independent sector of higher education offers students a critical choice in terms of the size, governance, location, academic program, and mission of the institution that will help shape their higher education experience. Students are well served in the independent sector. Independent colleges and universities enroll 21 percent of the nation's students, yet they award 33 percent of all baccalaureate degrees, 40 percent of all master's degrees, 36 percent of all doctoral degrees, and 60 percent of all first professional degrees in areas such as law, medicine, engineering, and business.

The average tuition cost of an independent institution in 1990-91 is $7,685. Three times as many independent institutions have tuition and fees of less than $6,000 than have tuitions and fees of more than $12,000.

Our institutions have demonstrated an overwhelming commitment in the form of financial aid from their own resources to ensure that students from all walks of life have the opportunity to choose the institution that best suits their needs and aspirations. Federal student aid does not help students attending independent colleges and universities as much as it did ten years ago. Neither appropriations for the student aid programs nor award amounts kept pace with inflation in the 1980s. The maximum Pell Grant for the neediest students, for example, was scheduled in the 1986 reauthorization to rise to $3,100 in 1991-92. Yet appropriations for FY 1991 increased the maximum Pell award to $2,400, just $300 above the 1986 maximum of $2,100. In the face of declining federal grant support, independent colleges and universities have increasingly turned to institutionally funded financial aid.

Adjusted for inflation (in constant 1987-88 dollars), federal grant assistance to undergraduates at independent institutions grew from $1.184 billion to $3.421 billion between 1970-71 and 1975-76. This aid then began to decline dramatically through 1987-88 when it reached $1.101 billion -- less than the amount awarded in 1970-71. Our colleges and universities, on the other hand, have been steadily increasing the amount of student financial assistance they offered from their own institutional resourcesin the form of grants. In 1983-84, they surpassed the

federal government in the total dollar amount of grants awarded to undergraduates. By 1987-88, independent colleges and universities were awarding 81 percent more grant assistance to undergraduates than the federal government was providing to students in independent higher education.

In the past ten years, our institutions have increased their commitment of institutional funds to student aid by an average of almost 25 percent a year, to a level now well in excess of $3 billion annually. On individual campuses, the growth in institutional aid can be quite dramatic. At Salve Regina College, for example, the institution's funds for grants to needy students has increased from $156,000 in 1976 to $1.14 million in 1989 -- an increase of more than 625 percent. Over the same period, Pell Grant funds grew from approximately $120,000 in 1976 to a high of $390,000 in 1980, and steadily declined to a level of $175,000 in 1989. This represents an overall percentage increase of just 47 percent over the same fourteen-year period.

This funding comes at a high price: if taken from the operational budget, it decreases the funds available for science labs, for the library, and for academic programs; it contributes to increases in tuitions; it strains the very capacity of our institutions to operate, and it drains endowments that, for the vast majority of our members, are extremely limited.

Much of the financial aid generated from our institutional resources has gone to help students who come from working families of moderate income, many of whom can no longer count on any

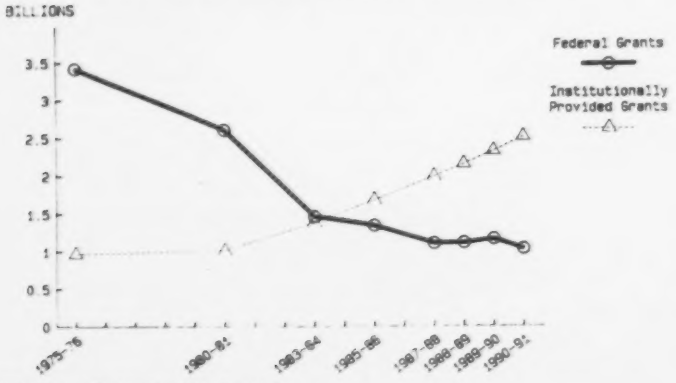
federal support -- either from grants or loans. For others who may qualify for some federal aid, the amount of grant or loan eligibility is not enough to make a real difference in their ability to meet college costs.

These are the folks who thought their government would be a partner in helping to educate their children. These are your constituents. These are the students and families that I want to talk to you about today. Several issues are important to middle-income families regarding their ability to finance a college education -- expanding the eligibility for federal grant aid, addressing their need to pay direct educational costs, improving the balance between grants and loans, and modifying the treatment of home and farm assets in the calculation of financial need.

First, I hesitate to use the term "middle income" in describing these families without offering a further definition of terms. Middle income is often used as a relative term; what one person thinks of as middle income, another might define as "working class" or "lower income."

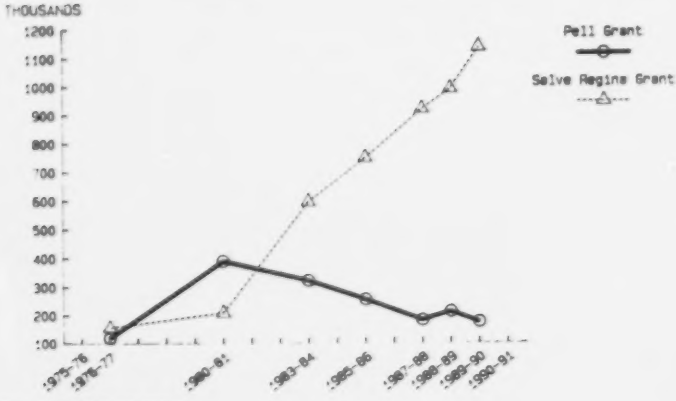
In an attempt to come up with a working definition of middle income, we have looked back to the objectives of the Middle-Income Student Assistance Act (MISAA) which the Congress passed in 1978. When Congress adopted the legislation, $25,000 was specifically cited as the family income at which a student should receive at least a minimum Pell Grant. Using a $25,000 income in 1978 dollars as the basis, a family with an income of $49,615 should be served by the federal aid programs in 1990.

Comparison of Institutional and Federal Aid to Undergraduate Students at Independent Colleges and Universities



SOURCES: Data on Institutionally-Provided grants are from NIICU. Data on federal grants are USDE and estimates by NIICU.

Pell Grant and Institutional Aid Awards at Salve Regina College



SOURCE: Financial Aid Office, Salve Regina College

Families at this income level should be helped, but they are not. Under the current Pell Grant program, eligibility is effectively limited to students with family incomes below $35,000 -- and students with incomes much above $28,000 generally receive only a minimum grant of $200. Just 5 percent of the Pell Grant recipients in academic year 1988-89 (the last year for which recipient data are available) came from families with incomes of more than $30,000.

We can look at our definition of middle income another way to illustrate further the ineffectiveness of the Pell Grant program in serving a broad range of dependent students who need help in paying for college.

We looked at data from the Census Bureau's 1987 Current Population Survey for married couples with the head of household between forty-five and fifty-four -- a likely age range for parents of students between eighteen and twenty-two. After adjusting for inflation to 1989-90, we then evenly divided the families into five groups according to income levels. Roughly speaking, one could describe the groups as representing lower- (less than $28,245), lower-middle- (between $28,245 and $42,484), middle- (between $42,485 and $56,858), upper-middle- (between $56,859 and $78,052), and upper-income (more than $78,052) families. Surprisingly, the vast majority of students from lower-middle-income families (not to mention middle-income families) have almost no chance of receiving a Pell Grant.

There are several reasons why the current student aid programs, and the Pell Grant program in particular, no longer serve students from America's middle-income families.

First, the maximum Pell Grant award has not kept pace with the rate of inflation, due largely to the extraordinary increase in the number of grant recipients enrolled in short-term programs in vocational schools. The number of Pell Grant recipients in the proprietary sector increased by 172 percent between 1980 and 1989, while the number of recipients in the collegiate sector rose only by 10 percent, from 2.4 million to 2.7 million.

Second, the congressionally mandated need-analysis formula enacted in 1986 rendered the children of many middle-income families ineligible for federal assistance. In contrast, other changes to the congressional methodology have made it much easier for independent students who are married and do not have children to qualify for federal assistance.

Third, the current independent student definition can be exploited, and it is. Families who want to avoid responsibility can have their children establish what our aid administrators call "independence of convenience" for the purpose of gaining eligibility for federal assistance.

Fourth, the sheer numbers of older and legitimately independent students seeking federal student aid have increased dramatically. The number of Pell Grant recipients who are twenty-four or older has tripled, from 588,000 to 1.5 million, in the last ten years. These students are more likely to have low

incomes (since parental income is not counted for independent students) and qualify for maximum awards. Thus, it is not surprising that more than 60 percent of current Pell Grant dollars now go to students classified as independent.

These changes have shifted grant funds to independent students, effectively rationing the level of grant aid that is available to dependent students of traditional college age from middle-income families. Needy students are essentially competing with each other for limited funds.

We are also concerned about declining congressional support for the federal campus-based student aid programs. Historically, Supplemental Educational Opportunity Grants (SEOG), Perkins Loans, and College Work-Study (CWS) awards have been critical in meeting the needs of dependent students in collegiate programs. These programs have not fared well in the past decade.

Between 1981 and 1991, funding for the SEOG program declined by 11.9 percent, funds for CWS dropped by 32.3 percent, and Perkins Loan appropriations plunged by 67.5 percent (in constant dollars). Funding for the State Student Incentive Grants (SSIG) program also decreased by 48.1 percent over the same period.

The lack of funding support for these programs has compounded the problems of middle-income students who were edged out of the Pell Grant program in the 1980s.

Perhaps most importantly, the children of middle-income families who want to go to college -- especially to an independent college or university -- must have broader access to subsidized loans.

Mr. Chairman, as I look at the schedule of witnesses that will follow me today, I realize that you will probably hear a good deal about the growing imbalance between grants and loans. This is something about which you have expressed personal concern. It is a subject that deserves focused and lengthy consideration by the committee.

We share your concern. We are alarmed at the extent to which loans have replaced grants as the primary source of federal student aid, especially for very low-income, at-risk students. We strongly support an increased emphasis on grant funding as a major priority in reauthorization.

At the same time, we simply must recognize that students from middle-income families need subsidized loan programs to finance the costs of higher education over the long term. These students have been virtually disenfranchised from federal grant programs. Furthermore, many no longer qualify for Stafford Loans on the basis of congressionally mandated need tests.

Unless we want to promote a system that limits opportunities and choices for students who happen to be born into moderate-income families, we must keep the door open to loan capital to students and families that are willing and able to borrow -- and pay back their loans. The national default rate for students at

independent colleges and universities is less than 6 percent. Our students graduate at higher rates than their counterparts at public institutions, and they leave our colleges with substantially increased future earning power.

While we urge you to consider expanded borrowing opportunities for middle-income students and their parents, we are keenly aware of the level of debt that many of these students will incur over several years of successive borrowing.

The student from Salve Regina College in Rhode Island that I will talk to you about in just a moment is a case-in-point. In her four years at the college, she has received grant aid each year from the state and from Salve Regina, but never from the federal government. She has had to borrow the maximum Stafford student loan each year, and has also borrowed from the Perkins program and the college's own loan fund. She will graduate this spring with a student loan debt of $17,500.

This debt would obviously seem more manageable to her if she were planning a career in a high-paying field. But she wants to be a Spanish teacher, or teach in a bilingual program. According to the office of the Superintendent of the Providence School Department, she can expect a starting annual salary of approximately $21,000. She will probably have to borrow again to complete her teacher education program. By the time she goes to work, she will probably have accumulated an educational debt equal to her annual income.

Some of the debt burden I'm describing could be alleviated by extending grant eligibility higher up the family income scale to reach students from moderate-income families. For students who have to borrow, debt could also be better managed by a more expansive system of loan payback mechanisms. We are very concerned that the relatively limited repayment options now in place have the effect of encouraging default. Further, limited payback options clearly discourage our graduates from pursuing careers in public service.

I have offered a number of general comments and concerns today about the nature and extent to which current federal student aid policy falls short of the needs of our middle-income and working families. Now I would like to present three specific examples that illustrate the points I have tried to make.

We worked with three of our institutions -- Salve Regina College in Newport, Rhode Island; Bethel College in North Newton, Kansas; and Greenville College in Greenville, Illinois -- to identify students from their colleges that represented common situations and problems faced by families with similar economic circumstances.

Each of these students and their families has faced different financial obstacles as they have struggled to put together the needed resources so that their children can attend college and complete a higher education. Yet, as we hear resoundingly from our colleges, they are typical of thousands of other students

across the country. I wish they were here to tell their own stories. (I have changed their names in the following illustrations to protect their confidentiality.)

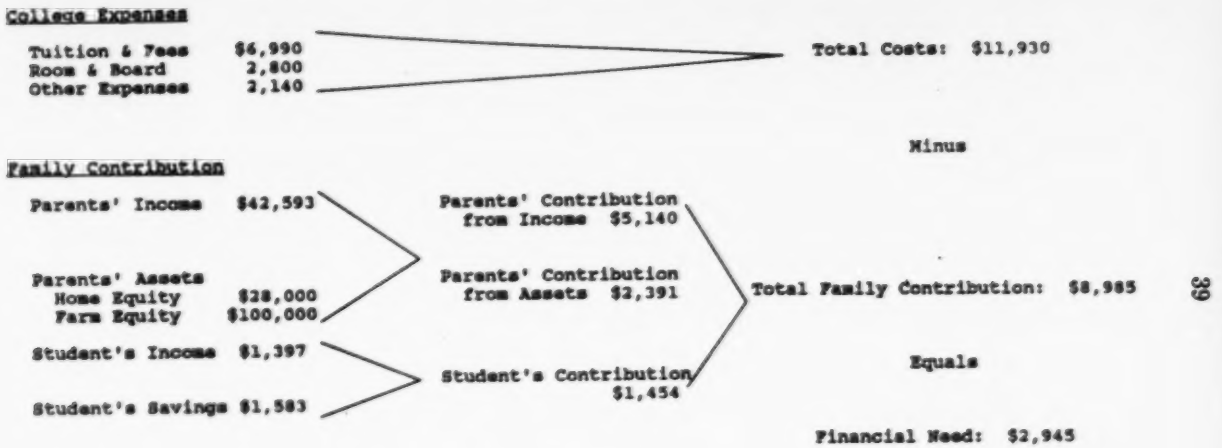
Shelley

Shelley is in her second year at Bethel College in Kansas. She comes from a family of four, living on a farm in Kingman, Kansas. Her parents are both employed -- her mother works in a photography studio and her father runs the farm. Their combined income is $42,593. They own a home worth $55,000, with a mortgage of $27,000. They owe $200,000 on the farm, which is valued at $300,000. Shelley had a job during the school year and earned around $1,400. She also has $1,583 in the bank, saved from previous summer and school-year earnings.

Under the congressional methodology's system of need analysis, the parents are expected to contribute $7,531 to their daughter's educational expenses. Shelley is expected to contribute a minimum of $900 from her earnings, and 35 percent of her savings, to total $1,454. Thus, the total family contribution towards Shelley's educational expenses is $7,531 plus $1,454, or $8,985.

The total educational costs at Bethel are $11,930. This includes $6,990 for tuition and fees, $2,800 for room and board,

SHELLEY
BETHEL COLLEGE



and $2,140 for books and supplies, personal expenses, and transportation costs. The family's expected contribution is subtracted from the total costs, yielding a calculated financial need of $2,945.

The institution has met Shelley's calculated need of $2,945 with an $800 academic grant, a $500 volleyball scholarship, and a Kansas state grant of $1,700, for a total aid package of $3,000. She receives no federal student aid funds. Shelley is not eligible for a Pell Grant, nor does she qualify for a Stafford student loan primarily because of the equity in her parents' farm.

If the portion of the family's contribution that is derived from their equity or nonliquid assets were eliminated, Shelley's family contribution would drop by $2,391 and her resulting financial need would increase by the same amount. She would then be eligible for a $2,300 Stafford loan.

This year, Shelley has been able to remain at Bechel. She is not certain if she can stay in school without access to a subsidized loan.

Gary

Gary will be entering Greenville College in Greenville, Illinois, as a freshman this fall. He comes from Woodstock, Illinois, where his father works at a tooling company and his mother is employed at an electronics company.

His parents earned $38,037 last year. The current market value of their home is $92,000, and the remaining debt on their home is $12,783. Other than $300 in the bank, they have no other assets. Gary worked while in high school and earned $3,174 in 1990.

Based on the congressional metholodogy, his parents will be expected to contribute a total of $6,465 toward Gary's expenses. Of the total contribution, $4,070 is derived from income and $2,395 comes from assets (limited to equity in the family's home in this case). Gary's contribution from his income is $2,020. The family's total contribution is $8,483 -- $6,465 from the parents and $2,020 from the student.

For the coming academic year, expenses at Greenville will include: $8,740 for tuition and fees; $3,880 for room and board; and $1,200 for other expenses, such as books, supplies, and transportation costs. These expenses total $13,970, from which the total family contribution of $8,483 is subtracted to yield a calculated financial need of $5,485.

The college has met Gary's financial need with a $2,800 Greenville scholarship, a $1,200 CWS award, and $1,600 in Stafford loan eligibility, for a total of $5,600 in aid. He does not qualify for a Pell Grant or an SEOG grant, which the college must reserve for exceptionally needy students. Gary might have qualified for an Illinois State Grant of between $2,000 and $2,500 if the parents' contribution from home equity were eliminated.

GARY
GREENVILLE COLLEGE

College Expenses

Tuition & Fees	$8,740
Room & Board	3,880
Other Expenses	1,300

Total Costs: $13,970

Minus

Family Contribution

Parents' Income	$19,906	Parents' Contribution from Income	$4,070
Parents' Assets Home Equity	$79,317	Parents' Contribution from Assets	$2,395
Student's Income	$3,174	Student's Contribution	$2,020

Total Family Contribution: $8,485

Equals

Financial Need: $5,485

Financial Aid Package

Greenville Scholarship	$3,800
College Work-Study	$1,200
Stafford Loan	$1,600

Financial Aid: $5,600

MICHELLE
SALVE REGINA COLLEGE

College Expenses

Tuition & Fees	$10,650
Room & Board	3,200
Other Expenses	3,350

Total Costs: $18,200

Minus

Family Contribution

Parents' Income	$41,916	Parents' Contribution from Income	$1,883
Parents' Assets	$0	Parents' Contribution from Assets	$0
Student's Income	$1,635	Student's Contribution	$1,527
Student's Savings	$1,500		

Total Family Contribution: $3,410

Equals

Financial Need: $14,790

Financial Aid Package

Rhode Island State Grant	$1,500
Salve Regina College Grant	$2,600
Salve Regina College Loan	$ 600
Perkins Loan	$1,000
Stafford Loan	$4,000
College Work-Study	$1,000

Financial Aid: $10,700

Michelle

Michelle is a senior at Salve Regina College in Newport, Rhode Island. Her family lives in Cranston, Rhode Island, where her father is a carpenter and her mother works as an office manager. Her brother is also attending college and is enrolled at the Berkeley School of Music in Massachusetts.

Together, Michelle's parents earned a total of $41,816 in 1989. They have never owned a home, and have only a few hundred dollars in the bank. Michelle earned $1,635 during the school year and has also saved $1,500 from prior year and summer earnings.

Michelle's parents are expected to contribute $1,883 to her educational expenses, as determined under the congressional methodology. Michelle is also expected to contribute a percentage of her 1989 earnings and her savings, for a total of $1,527. The total family contribution is, therefore, $3,410.

For 1990-91, Salve Regina's expenses total $18,200. This includes $10,650 for tuition and fees, $5,200 for room and board, and $2,350 for books and supplies, transportation, and other personal expenses. Subtracting Michelle's family contribution of $3,410 from the college's total expenses of $18,200 yields a calculated financial need of $14,790.

The college cannot meet all of Michelle's calculated need, but has provided a total financial aid package of $10,700. Michelle was awarded a Rhode Island State Grant of $1,500, a Salve Regina College Grant of $2,600, a $1,000 Perkins loan, $600 in a

Salve Regina College Loan, a $4,000 Stafford loan, and $1,000 in College Work-Study eligibility.

Michelle will graduate from Salve Regina this spring with a total indebtedness of $17,500. She has had to borrow the maximum Stafford loan in each of her undergraduate years, and has had to take out additional loans each year from the Perkins program and from the college's own loan fund. She has never qualified for even a $200 minimum Pell Grant.

Mr. Chairman, we have spent time today focusing on the difficulties faced by middle-income families in meeting the costs of postsecondary education. We would not come to you and your committee with the kinds of problems we have discussed without offering corresponding solutions.

I will state our recommendations briefly. Some of our recommendations I am sure will be echoed in other testimony you will hear, since the issues involving middle-income families affect students in all sectors of postsecondary education. We would be pleased to work with you and the members of the subcommittee and your staffs to further explore any of the concerns we have touched on today or to further develop any of our recommendations.

Following are our suggestions for changes to the Higher Education Act to address the needs of middle-income students and their families. We continue to actively explore a number of proposals with our membership and our colleagues.

- Increase the maximum Pell Grant to $4,000 and, in subsequent years, adjust the maximum award annually based on the Consumer Price Index.
- Expand eligibility to families with incomes up to $43,000 by changing the formula used to determine individual awards in the Pell Grant program. The maximum award of $4,000 would be composed of a $2,500 component for living expenses and a tuition component -- 25 percent of tuition, not to exceed $1,500. Future adjustments in the maximum award would be split equally dollar for dollar between the living cost and tuition components of the formula.
- Review the statutory need-analysis formulas for dependent students to assure accuracy and reasonableness in the level of expected contributions they produce for both students and parents.
- Modify the treatment of married independent students without dependents in the congressional methodology so that these students are treated similarly to single independent students without dependents.
- Simplify the statutory definition of an independent student by eliminating current conditional criteria and extending independence only to students who are twenty-four years or older, graduate and professional students, students with legal dependents, veterans, orphans, and wards of the court.

- Revise need-analysis formulas to exempt at least some portion of college savings from the computation of expected family contributions.
- Increase authorization levels for the campus-based programs and the SSIG program.
- Leverage additional funds for the campus-based programs by establishing an overall matching requirement for the three programs of 25 percent. (The current match rate is 10 percent for Perkins, 15 percent for SEOG, and 30 percent for College Work-Study.)
- Provide greater flexibility for campuses to meet individual student needs appropriately and prudently by expanding the authority for institutions to transfer up to 25 percent of campus-based funds among the programs.
- Broaden eligibility for loan programs to middle-income students by eliminating nonliquid assets (such as equity in a home, family farm, or family business) from statutory need-analysis formulas.
- Raise Stafford loan limits to levels that restore the value lost to inflation over the past ten years to the following: $3,500 for freshmen; $5,000 for sophomores, juniors, and seniors; $10,000 for graduate and professional students.
- Facilitate parental borrowing to meet expected contributions and recognize the increased cash-flow needs of middle-income families by removing the current $4,000 borrowing limit on PLUS loans.

* Create expanded loan payback alternatives and consolidation options to provide students with the most flexibility to meet their repayment obligations. A number of proposals merit renewed attention, such as those that offer loan forgiveness for public service, plans that tie loan repayments directly to the increased lifetime earning power provided by a college education, and proposals that tie repayment to service in critical jobs.

Even with these changes, parents with moderate incomes must be encouraged to plan ahead and save for the education of their children. While we recognize that the proposals that follow fall outside of the subcommittee's jurisidiction, we include them here because we also need your leadership on these issues. They are critical components of a comprehensive strategy to address middle-income family needs:

1. Establish specific tax incentives for college savings.
2. Restore the tax deductibility of interest paid on education loans.
3. Expand the ability of families to establish IRAs and allow families to withdraw funds to pay the college expenses of their children or grandchildren.

This concludes my testimony, Mr. Chairman and members of the subcommittee. I thank you for the opportunity to testify, and I would be happy to answer any questions you may have.

* * *

Senator PELL. Ms. Fuller.

Ms. FULLER. Good morning, Senator Pell.

I am Norine Fuller, and I am pleased to have an opportunity to present some thoughts on financing a college education from a proprietary or private career school perspective.

Unfortunately today when one hears the term "proprietary institution" it conjures up visions of fraud, waste and abuse of Federal tax dollars at the expense of students. There are hundreds of fine proprietary schools and colleges who have witnessed and abhor the deceit of taxpayers and the betrayal of students. These institutions have taken seriously their charge to offer students a quality education in an environment of fiscal responsibility.

This committee began its series of hearings on reauthorization with an impressive list of witnesses on the status of the American work force and international competitiveness. Each witness stressed the unquestionable relationship between education and economic development. With that in mind, I offer the following facts about private career schools.

Over 3,600 of them educate over 1.5 million students annually. Over 50 percent of the postsecondary vocational training in the U.S. is provided by private career schools. By 1995, more than half of all jobs will require education or training beyond high school.

I represent The Fashion Institute, a two-year college awarding associate of arts degrees in merchandising, fashion design and interior design. We have five locations in California, with over 3,000 students and 500 staff and faculty members.

In the 15 years I have been with the college, I have made two predominant observations—a dramatic shift in the type of student we serve and an increasing reliance upon title IV funds. Let me present you with some facts about our students.

Twenty-three percent of them are over the age of 24; over 9 percent of our students are foreign, and they represent 31 different countries; 8 percent already have a bachelor's degree, and 35 percent have had some previous college. Forty-four percent are minority students, including 22 percent Asian, 17 percent Hispanic, and 5 percent black.

Additional information reveals a population with significant dependence on title IV assistance and a growing independent student population.

During the 1989-90 award year, 60 percent of our students attended the college utilizing title IV funds; 68 percent were dependent, and of these dependent students, 48 percent of the families earned less than $24,000 a year. Thirty-two percent were independent, and of those independent students, 73 percent earned less than $12,000 a year. Twenty-one percent of our students received a maximum Pell grant during the 1989-90 award year.

The majority of students at FIDM are needy, and the process for acquiring aid has become confusing and burdensome at best. They attend college utilizing a combination of grants, loans and scholarships.

Over 79 percent of our students work on average 24 hours a week. Even with the availability of grants, campus-based aid and work-study, still students have unmet needs. Reliance upon federally-subsidized student aid and parental loans is an essential compo-

nent in meeting one's educational objectives. Unfortunately, public confidence in student loan programs has been eroded and placed all Federal programs at risk. Recent actions taken by Congress and the U.S. Department of Education will help to curb fraud, waste and abuse in the Federal loan programs.

Obviously, more must be done. Schools and colleges must have incentives to work with students to remove them from the default classification into repayment. The public too must be told the whole story about defaults. Yes, in 1989 the Government paid out approximately $2 billion in default claims. However, it is rarely disclosed that in 1989 the State guarantee agencies collected over $550 million and the IRS collected over $197 million, for a total of $747,322,000.

Increased efforts are essential, but let the public know that many are not standing idly by and silent toward a problem which will affect students with dreams hoping for an educational choice and an educational opportunity.

Senator Pell, to conclude, I have a very short video with comments from various students who are pursuing a postsecondary education.

[Videotape shown.]

[The prepared statement of Ms. Fuller follows:]

PREPARED STATEMENT OF MS. FULLER

Good morning Senator Pell and distinguished members of the Subcommittee on Education, Arts and Humanities. I am Norine Fuller and I am pleased to have an opportunity to present some thoughts and observations on "Financing a College Education".

I must thank the committee for the opportunity to be included in this hearing to present a private career school or proprietary perspective.

Unfortunately today, all too often, when one hears the term "proprietary institution" it conjurs up visions of fraud, waste, and abuse of Federal tax dollars at the expense of students. There are hundreds of fine proprietary schools and colleges who have witnessed and abhor the deceit of taxpayers and the betrayal of students. These institutions have taken seriously their charge to offer students a quality education in an environment of fiscal responsibility.

This committee began its series of hearings on reauthorization with an impressive list of witnesses on the status of the American workforce and international competitiveness. Each witness stressed the unquestionable relationship between education and economic development.

With that in mind, I offer the following facts about private career schools:

—Over 3,600 private career schools educate more than 1.5 million students annually.

—Over 50 percent of the postsecondary vocational training in the U.S. is provided by private career schools.

—By 1995, more than half of all jobs will require education or technical training beyond high school.

—Private career schools offer training in more than 75 occupations, careers and programs.

I represent The Fashion Institute of Design and Merchandising. We are a 2 year regionally accredited college awarding associate of arts degrees in Merchandising, Fashion, Textile and Interior Design, Apparel Manufacturing Management and Visual Presentation and Space Design. We have five locations in California with over 3,000 students and 500 staff and faculty.

In the nearly 15 years that I have been associated with this college I have made two predominant observations—a dramatic shift in the type of student we serve and the increasing reliance upon title IV funds. Let me present you with some facts about our students.

Fifty-five percent are 18 to 20 years old; 22 percent are to 23 years old and 23 percent are over 24. Over 9 percent of our students are foreign representing 31 dif-

ferent countries. Eight percent of our students already have a BA degree and 35 percent have had some previous college. Forty-four percent of our population are minority students including 22 percent Asian, 17 percent Hispanic and 5 percent Black.

A review of some additional information reveals a population with significant dependence on title IV assistance and a growing independent student population.

During the 1989–90 award year 60 percent of our students attended the college utilizing title IV funds. Sixty-eight percent of the students were dependent and of these dependent students 48 percent of the families earned less than $24,000 a year. Thirty-two percent of the students were independent and of these independent students 73 percent earned less than $12,000 a year. Twenty-one percent of our students received a maximum Pell grant.

The majority of students at FIDM are needy and the process for acquiring aid has become confusing and burdensome at best. They attend the college utilizing a combination of grants, (State and Federal) loans and scholarships.

Additionally as noted through our career planning and placement department 79 percent of the students work an average of 24 hours per week.

Even with the availability of grants, campus-based aid and work-study, students still have unmet need. Reliance upon federally subsidized student aid and parental loans is an essential component in meeting one's educational objectives. Unfortunately public confidence in student loan programs has been eroded and placed all Federal programs at risk. Recent actions taken by Congress and the U.S. Department of Education will help to curb fraud, waste and abuse in the Federal loan programs.

Some of these precautionary measures include:

—Multiple disbursement of student loan checks

—Ineligibility of high default rate institutions to participate in student loan programs.

—Increased requirements for the admission of ability-to-benefit students seeking title IV aid.

—30-day delayed disbursement of student loan checks.

Obviously more must be done. Schools and colleges must have incentives to work with students to remove them from the default classification into repayment. The public too must be told the whole story about defaults. Yes, in 1989 the government paid out approximately 2 billion dollars in default claims. However it is rarely disclosed that in 1989 the state guarantee agencies collected over 550 million dollars and the IRS collected over 197 million dollars for a total of $747,322,000. Increased efforts are essential but let the public know that many are not standing idly by and silent toward a problem which will affect students with dreams hoping for an educational choice and an educational opportunity.

Senator PELL. Thank you very much indeed.

As I understand the video, it brings out the point that there has to be a stronger program of student aid; would that be the gist of it?

Ms. FULLER. Yes, that seems to be the case, and a less confusing set of programs.

Senator PELL. I was struck by the fact that you said that 80 percent of your students had some kind of outside work.

Ms. FULLER. That's right.

Senator PELL. Then, turning to Dr. Rosser for a moment, with the predicament that Michelle and the other students find themselves in, you did not crank into that any earnings they might make on their own.

Mr. ROSSER. As you can see on the chart, I think they were making on the average about $1,500 a year, the students themselves. Some of that, in one case, came from the college work-study program.

The problem is, of course, they are dependent students, going full-time to school, and it is just very difficult for them to make that much more money in their situation when they are going full-time.

Senator PELL. As you know, we had on the books in 1979 the Middle Income Student Assistance bill, which seemed to be getting off to a good start and then dwindled away rapidly under the Reagan administration so that it is nonexistent at this point.

Do you have any thoughts with regard to that particular legislation which was reintroduced just in the last Congress, and I intend to reintroduce in this Congress?

Mr. ROSSER. It is something we very much need. As a matter of fact, that first chart where we showed Federal aid and the gradually declining amount of Federal aid and the increase in the institutional aid, I think that demonstrated dramatically the impact of the Middle Income Student Assistance bill, and then of course its unfortunate demise. And part of that has been accentuated by the fact that we have been pushing Pell grant money down and down in terms of family income. So of course Pell grants are really meaningless for most of these middle income people, and about the only thing at this point that is left for them is the Stafford Loan, if they can even qualify for that—and of course in the case of that Kansas family, that daughter could not qualify.

So above all we ought to reintroduce the Middle Income Student Assistance Act and fund it the way it should be funded. And also, if we could just get Pell grants up to where they should have been if we had carried on from that point. As you remember, we wanted Pell grants at that point to go up to $25,000 family income. If we adjusted that for inflation today, you'd be talking about Pell grants up to about $49,000.

Of course, even that, if you are talking about the minimum grant is not much, but at least that would raise the Pell grants all along the line, and that clearly is one thing that needs to be done.

Senator PELL. Then we had a proposal, as you know, to knock out the farm being counted in the equity available, and that did not survive. I think that would resolve many of these problems.

Mr. ROSSER. Absolutely. That's extremely important. How do we expect this family in Kansas somehow, with all that debt, to make any kind of meaningful contribution? I frankly don't see how they physically can come up with the amount of money they are supposed to come up with.

Senator PELL. Well, in the examples you gave, both families had similar incomes, and yet there is a great disparity between the financial aid packages.

Mr. ROSSER. Exactly. That is partly because of the family assets, the home and the farm, but also because in the case of the Kansas family they just had one daughter going to school. Now, if they have other children who might want to go to school, I don't know what they are going to do. I know in one case you had three people going to school, and in the other, just the one.

Senator JEFFORDS. Mr. Chairman, could I interrupt just a second.

Senator PELL. Yes, the Senator from Vermont.

Senator JEFFORDS. I would first of all make my statement a part of the record. But I just want to commend all of the witnesses here.

Following on what you have said, I think it is incredibly important even though we are bound by some serious problems with budget that we do not fail in our duty to alert the Nation as to what we need to do.

I for one feel that we have a duty to let it be known what is going on here, and if we have an educational need, as the President says we do, then we have to know what that need is. You have outlined the needs very well, and I am hopeful. There is a commission that has been set up that is looking toward the future here, under Senator Hawkins, and I am hoping that they will come back with some good, strong recommendations as to where we are going.

Dr. Smith, I appreciated your remarks about early intervention and the ACE. We have a bill, and I know Sector Pell agrees in this area, so hopefully we can try to do something with the SSIG's and that aspect.

And Ms. Fuller, I certainly appreciate your comments on bringing reality into the default situation. We do twice as good as the VISA card or Master Charge or, I assume, even American Express, so we probably ought not to be apologetic for the situation with the Stafford Loans. We should be very proud of that and bring reality to that.

So Mr. Chairman, I deeply appreciate your allowing me to interrupt at this point.

Thank you.

Senator PELL. We're very glad you are here, and your full statement will be included as part of the record.

[The prepared statement of Senator Jeffords follows:]

PREPARED STATEMENT OF SENATOR JEFFORDS

Mr. Chairman, I will keep my remarks brief because I am anxious to hear from our witnesses. I appreciate your calling this hearing together and look forward to the testimony.

Looking ahead toward reauthorization there are a number of issues that concern us all; those include efforts to lessen the imbalance between grants and loans, helping middle income students, and providing access for minorities and non-traditional students. And, of course, there is the huge issue of the need for facilities construction and renovation.

But, I also have another concern—the concern that we not lose our students before they step into post secondary schools or skilled training. I have introduced a bill, S. 585, that I hope will be incorporated in some fashion as a part of this year's higher education reauthorization.

S. 585 encourages comprehensive early intervention programs, programs that would provide disadvantaged students with the opportunities and support they need not only to stay in school, but then go on to higher education.

That is a quick description of a comprehensive bill but one which has been endorsed by organizations representing the concerns of the higher education community as well as those of the elementary and secondary community.

I am hopeful that this proposal can be incorporated into next year's reauthorization of the Higher Education Act and look forward to working with the chairman to achieve that end.

Senator PELL. Another question here is how much do you feel the question of aid affects the choice of colleges they attend, and also

their career choices afterward; I would ask Dr. Smith for his views on that.

Mr. SMITH. Well, it obviously has an effect. At Towson, which is a State school, we get a number of transfers from out of State from private institutions. These are families that have tried to go to private schools and have found that they cannot meet the financial payments and must transfer back to a State school.

One of the things about our joint proposal is that, although not equalling the Middle Income Act by changing the formula for calculation of the Pell grant, plus some of the other modifications, we are attempting to reach some of the same goals, particularly that portion of our proposal which would be tuition-sensitive in the calculation of the Pell grant.

So we share very much the view which Dr. Rosser put forward and your own statement about the importance of targeting financial aid to that segment as well as to the very needy.

Senator PELL. Do you feel that the present forms that we use discourage students from applying because they are too complicated?

Mr. SMITH. I think it does. I think two things discourage people from applying. One I will say as a parent who tried to fill out one, and being in the business, I wasn't sure what some of the answers should have been when we were talking about financial aid.

I think also the complexity discourages those ethnic groups which have a culture against borrowing. We find that on the east side of Baltimore, where we have some of the Eastern European blue collar families, and they are not families which easily apply for a support program which will encourage them to borrow.

So I think both the complexity and some of the current weighting of the program do discourage people from applying, which is one of the reasons why we feel that there should be provisions for further public information to encourage students.

There is one other problem which discourages students from applying, and that is when we get the news stories about budget cuts or the discussion about restrictions in financial aid, many students don't think it exists, or that it won't exist for them that year. So we feel both simplification and better information are crucial.

Senator PELL. I would ask at this point without objection that we insert in the record a copy of the form so that we can know what we are talking about here.

[Copies of applications for Federal Student Aid follows:]

Application for Federal Student Aid

FREE! Don't send money

1991-92 School Year

NOTICE

You can use the ***FREE*** "Application for Federal Student Aid" (AFSA) to apply for financial aid from **Federal student financial aid programs.** However, for most State and private aid programs you will have to fill out other forms. To find out more about which form you should use, contact your high school counselor, financial aid office, or State scholarship agency. You'll find more information about Federal student aid programs on this page.

Be sure to read "Information on the Privacy Act and Use of Your Social Security Number" on page 12.

WARNING: You must fill out this form accurately. **The information which you supply can be checked** by your college or by the U.S. Department of Education.

You may be asked to provide U.S. income tax returns, the worksheets in the booklet and other information. If you can't or don't provide these records, you may not get Federal aid. If you get Federal student aid based on incorrect information, you will have to pay it back; you may also have to pay fines and fees. If you purposely give **false or misleading information** on your application form, you may be fined $10,000, receive a prison sentence, or both.

What Is This Application For?

You can use the form in this booklet as the first step in applying for student financial aid offered by the U.S. Department of Education.

These Federal student assistance programs can help you pay for most kinds of education after high school. The aid is available if you are attending a professional school, a vocational or technical school, or college. This application is for Federal student financial aid for the 1991-92 school year (July 1, 1991 - June 30, 1992).

The information on this page will answer some of your questions about these programs. ...owever, for more information on Federal student financial aid, **see "Additional Information On The Federal Student Financial Aid Programs" on page 10.** The instructions in this booklet will tell you what information you have to provide on the form. If you have any questions after you have read the instructions, **seek** help. Talk to your high school counselor or the financial aid administrator at the school you want to attend.

OMB No. 1840-0110[illegible]
U.S. Department of Education
Student Financial Assistance Programs

Who Can Get Aid From These Federal Student Financial Aid Programs?

↓	Pell Grants	[illegible]	Supplemental Educational Opportunity Grants (SEOG)	College Work-Study (CWS)	Perkins Loans
Undergraduate	Yes	[illegible]	Yes	[illegible]	Yes
Graduate	No	[illegible]	No	[illegible]	Yes
At least half-time	Yes*	[illegible]	Yes*	[illegible]	Yes*
[illegible]	No	[illegible]	No	No	No
Must be a U.S. citizen or eligible noncitizen	Yes	[illegible]	Yes	[illegible]	Yes
Must be registered with the Selective Service (if required)	Yes	[illegible]	Yes	[illegible]	Yes
Must have financial need	Yes	[illegible]	Yes	[illegible]	Yes
[illegible]	Yes	Yes	Yes	Yes	Yes
Must be working toward a degree or certificate	Yes	Yes**	Yes	Yes	Yes
Must be making satisfactory academic progress	Yes	Yes	Yes	Yes	Yes
Must not be in default or owe a refund on a Federal grant or educational loan	Yes	Yes	Yes	Yes	Yes
[illegible]	Yes	[illegible]	Yes	Yes	Yes
Conviction of drug distribution or possession may make student ineligible	Yes	[illegible]	Yes	[illegible]	Yes

* In some cases, students going to school less than half-time may be eligible. Check with your financial aid administrator.

** In some cases, students don't have to be in a degree or certificate program. Check with your financial aid administrator.

DEADLINE: May 1, 1992

We must **receive** your form by May 1, 1992. Schools may have **earlier deadlines** you will have to meet. You should apply as early as possible. Mailing in your form is only the first step in applying for Federal student aid.

INSTRUCTIONS

FOR GOLD SHADED AREAS

FOR GRAY SHADED AREAS

BEFORE YOU BEGIN TO FILL OUT THE FORM, TEAR IT OUT OF THE BOOKLET AND LAY IT ALONGSIDE THE INSTRUCTIONS SO THAT YOU CAN CHECK FOR ADDITIONAL INSTRUCTIONS AS YOU GO ALONG.

The **GOLD** and **GRAY** areas indicate which instructions are for which questions. **Read the instructions as you fill out this form.** Mistakes will delay the processing of your application.

Some instructions appear on the form itself. Since those questions are self-explanatory, no additional instructions are provided. Where additional information is necessary, you will find it in this instruction booklet.

The instructions for this form will usually answer questions that you have. If you need more help, contact your high school guidance counselor or your college financial aid administrator.

Although other people (besides the student who is applying for aid) may help fill out this form, it is about the student. On this form, the words "you" and "your" always mean the student. The word "college" means a college, university, graduate or professional school, vocational or technical school, or any other school beyond high school.

"Student financial aid" means money from educational loans, grants, and scholarships. It also means earnings from the College Work Study Program or other earnings you received based on your financial aid administration's determination of your financial need.

Records You Will Need

Get together these records for yourself and your family:

- 1990 U.S. income tax return (IRS Form 1040, 1040A, or 1040EZ).
- 1990 State and local income tax returns.
- W-2 forms and other records of money earned in 1990.
- Records of untaxed income, such as welfare, social security, AFDC or ADC, or veterans benefits.
- Current bank statements.
- Current mortgage information.
- Records of medical or dental bills that were paid in 1990.
- Business and farm records.
- Records of stocks, bonds, and other investments.

Keep these records!

Won't file a tax return. Even if you and your spouse or your parents file no income tax return for 1990, you will need to know earnings for the year. You may also need records showing the amount of other income you are to report on your application.

Tax return not completed yet. If you, your spouse, and/or your parents haven't completed a 1990 U.S. income tax return but will be filing one, **we recommend that you complete your return before filling out this application.** Knowing what will be on your tax return will help you to fill out this application accurately. When your application is compared with the official 1990 IRS Form 1040, 1040A, or 1040EZ that is filed for you and your family, the financial information must agree. If there are **any** errors, you will have to correct the information and send it back to the U.S. Department of Education. If this happens, it will take longer to determine whether you are eligible for Federal student aid. It could mean a delay in getting your student financial aid.

If you, your spouse, and/or your parents filed (or will file) a **"Foreign Tax Return"** or are a **"Native American,"** see page 10.

When You Fill Out This Form

- Use a pen with black or dark ink; don't use a pencil.
- Print carefully, so that your form will be easy to read.
- Round off figures to the nearest dollar. For 50 cents or more, round up; for 49 cents or less, round down.

Section A: Yourself

Write in this section information about you, the student who is applying for aid.

2. Write in the address where you will be receiving mail. All mail will be sent to this address. Don't use the address of the financial aid office or any other office. Use the State/Country abbreviations list below.

State/Country Abbreviations

AL Alabama	IN Indiana	NM New Mexico	VA Virginia
AR Arkansas	IA Iowa	NY New York	WA Washington
AS American Samoa	KS Kansas	NC North Carolina	WV West Virginia
AZ Arizona	KY Kentucky	ND North Dakota	WI Wisconsin
CA California	LA Louisiana	OH Ohio	WY Wyoming
CO Colorado	ME Maine	OK Oklahoma	
CT Connecticut	MD Maryland	OR Oregon	CN Canada
DE Delaware	MA Massachusetts	PA Pennsylvania	FM Federated States of Micronesia
DC District of Columbia	MI Michigan	PR Puerto Rico	
FL Florida	MN Minnesota	RI Rhode Island	MH Marshall Islands
GA Georgia	MS Mississippi	SC South Carolina	
GU Guam	MO Missouri	SD South Dakota	MX Mexico
HI Hawaii	MT Montana	TN Tennessee	MP Northern Marianas
ID Idaho	NE Nebraska	TX Texas	
IL Illinois	NV Nevada	UT Utah	PW Palau
	NH New Hampshire	VT Vermont	
	NJ New Jersey	VI Virgin Islands	

If your place of residence is not included above, leave the State abbreviation blank and write the name of your city and territory or country in the space for city.

4. Write in the two-letter abbreviation for your current State/Country of legal residence. Use the State/Country abbreviations list above.

6. Write in your birth date. For example, if you were born on July 5, 1972, you would write in:

0 7	0 5	7 2
Month	Day	Year

7. If you are a U.S. citizen (or U.S. national), check the first box and go on to question 8. Check the second box and write in your eight or nine digit Alien Registration Number if you are one of the following:

   - U.S. permanent resident, and you have an Alien Registration Receipt Card (I-151 or I-551).

- Other eligible noncitizen with a Departure Record (I-94) from the U.S. Immigration and Naturalization Service showing any one of the following designations: (a) "Refugee"; (b) "Asylum Granted"; (c) "Indefinite Parole" and/or "Humanitarian Parole"; (d) "Cuban-Haitian Entrant."

- Other eligible noncitizen with a Temporary Resident Card (I-688).

If you are a citizen of the Marshall Islands, Federated States of Micronesia, or Palau, see your financial aid administrator.

If you cannot check the first or second box, you **must** check the third box. If you are in the U.S. on only an F1 or F2 student visa, only a J1 or J2 exchange visitor visa, or only a G series visa (pertaining to international organizations), you must check the third box.

9. Check your year in college from July 1, 1991 to June 30, 1992.

10. Check "No" if you do not have a Bachelor's degree and you will not have one by July 1, 1991.

Check "Yes" if you already have a Bachelor's degree or will have one by July 1, 1991. Also, check "Yes" if you have or will have a degree from a university in another country that is equal to a Bachelor's degree.

Section B: Student Status

Answer question 11. A blank counts as "No."

11. **a.** Check the correct box. (See your answer to question 6.)

b. Check "Yes" if you are a veteran of active service in the U.S. Army, Navy, Air Force, Marines or Coast Guard. Also check "Yes" if you are **not** a veteran **now** but will be one by June 30, 1992.

Check "No" if you are or were:

- never in the U.S. Armed Forces,
- only an ROTC student,
- only a cadet or midshipman at one of the service academies,
- only a National Guard or Reserves enlistee, **or**
- currently serving in the U.S. Armed Forces, and will continue to serve through June 30, 1992.

c. Check "Yes" if (1) both your parents are dead **and** you don't have an adoptive parent or legal guardian, or (2) if you are currently a ward of the court. For a definition of a **"Legal Guardian,"** see page 10. Otherwise check "No."

d. Check "Yes" if you have any children who get more than half of their support from you. Also check "Yes" if other people live with you and get more than half of their support from you and will continue to get that support during the 1991-92 school year. *(Don't include your spouse.)* Otherwise check "No."

"Parents" in questions 12, 14a-14e, and 15 means your mother and/or father, or your adoptive parents, or legal guardian. "Parents" does not mean foster parents, and for this section, it does not mean stepparent. Later, the instructions will tell you if you should supply information about your stepparents.

Unmarried Undergraduate Students Only

12. If your parents claimed you as an exemption on their 1989 and/or will do so on their 1990 income tax return, you must answer "Yes." If your parents are divorced or separated, answer "Yes" if either of your parents claimed you as an income tax exemption in 1989 and/or will do so on their 1990 income tax return. Otherwise check "No."

13. Check the box that best describes when you first received Federal student aid, ***beginning with the 1987-88 school year*** (July 1, 1987 - June 30, 1988). *Check only one box: a, b, c, d, **or e.***

Federal student aid includes:

- Pell Grant,
- Stafford Loan/Guaranteed Student Loan (GSL), including Supplemental Loans for Students (SLS),
- Supplemental Educational Opportunity Grant (SEOG),
- College Work-Study (CWS),
- Perkins Loan/National Direct Student Loan (NDSL), **or**
- State Student Incentive Grant (SSIG). These grants often have other names such as Student Incentive Grants, Incentive Grants, Tuition Grants, etc.

Below are some examples to help you answer question 13.

EXAMPLE #1 - Buck Bundy received Federal student aid in the 1986-87 and 1987-88 school years. Therefore, Buck should check box "a." Even if Buck had received Federal student aid in the 1985-86 and 1987-88 school years, he should still check box "a," because the first school year (beginning with 1987-88) in which he received Federal student aid is 1987-88.

EXAMPLE #2 - Jeff Abbe ***first*** received Federal student aid in the 1988-89 school year. Therefore, Jeff should check box "b."

EXAMPLE #3 - Wu Lin ***first*** received Federal student aid in the 1989-90 school year. Therefore, Wu should check box "c."

EXAMPLE #4 - Kate Murphy ***first*** received Federal student aid in the 1990-91 school year. Therefore, Kate should check box "d."

EXAMPLE #5 - Vickie Tingley received Federal student aid in the 1986-87 school year and has not received Federal student aid since then. Therefore, Vickie should check box "e."

EXAMPLE #6 - Joaquin Rodriguez has never received Federal student aid. Therefore, Joaquin should check box "e."

14a - 14e. When figuring your resources in questions 14a, 14b, 14c, 14d, **or** 14e be sure to include:

- wages, salaries, and tips, etc.,
- interest income and dividend income,
- any student financial aid (except PLUS loans),
- personal long term cash loans used for educational purposes, **and**
- any other income and benefits (such as veterans cash benefits, fellowships, etc.)

Don't include any resources from your parents such as money that you earned from them or gifts that you received from them.

Married or Graduate/Professional Students Only

15. If your parents will claim you as an exemption on their 1991 income tax return, you must answer "Yes."

You must see your college financial aid administrator before completing the rest of this form if:

- you answered "No" to all of the questions in 11 but after answering questions 12 through 14 or 15 you were told to fill out the gray and the white areas, **and**
- you were not required to provide parental information in 1990-91, **and**
- you were claimed by any person, other than your spouse, as a tax exemption in 1990.

Important instructions for Sections C, D, E, F, G, and I

Parents' information - gold areas

Read the descriptions below. Check the box that is true for you and follow the instructions.

❑ **Your parents are both living and married to each other.** Answer the questions on the rest of the form about them.

❑ **You have a legal guardian.** Answer the questions on the rest of the form about your **"Legal Guardian."** For a definition of "Legal Guardian" see page 10.

❑ **Your parents have divorced or separated.** Answer the questions on the rest of the form about the parent you lived with most in the last 12 months. For example, if you lived with your mother most, answer the questions about her, and not about your father. If you did not live with one parent more than with the other in the last 12 months, answer in terms of the parent who provided the most financial support during that time. If neither parent provided greater financial support during the last 12 months, answer in terms of the parent who provided the greater support during the most recent calendar year. *(Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, payment of college costs, etc.)*

❑ **Your parent is widowed or single.** Answer the questions on the rest of the form about that parent.

If you have a stepparent. If the parent that you counted above has married or remarried, you must include information about your stepparent (even if they were not married in 1990).

If you are giving information about your stepparent, note that whenever we say "parents" on the rest of the form, we also mean your stepparent.

Section C: Household Information

Your parents' household information - gold area

18. Show the current marital status of the people that you give information about on this form. For example, if you give information about your mother and stepfather, check the box that says "married," because your mother and stepfather are married.

17. Write in the two-letter abbreviation for your parents' current State/Country of legal residence. See the list of State/Country abbreviations under the instructions for question 2.

18. Write in the number of people that your parents will support between July 1, 1991 and June 30, 1992. Include your parents and yourself. Include your parents' other children if they get more than half of their support from your parents. Also include them if they would be required to provide parental information when applying for Federal student aid for the 1991-92 school year. Include other people only if they now live with and get more than half of their support from your parents and will continue to get this support between July 1, 1991 and June 30, 1992. *(Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, payment of college costs, etc.)*

19. Write in the number of people from question 18, including yourself, who will be going to college between July 1, 1991 and June 30, 1992. Include only students enrolling for at least 6 credit hours per term. If the school uses clock hours, include only students attending at least 12 clock hours per week.

Your (& your spouse's) household information - gray area

Fill out this section with information about yourself (and your spouse). If you are divorced, separated, or widowed, don't include information about your spouse.

20. Write in the number of people that you will support between July 1, 1991 and June 30, 1992. Include yourself and your spouse. Include your children if they get more than half of their support from you. Include other people only if they meet the following criteria:

- they now live with you, **and**
- they now get more than half of their support from you **and** they will continue to get this support between July 1, 1991 and June 30, 1992.

21. Write in the number of people from question 20, including yourself, who will be going to college between July 1, 1991 and June 30, 1992. Include only students enrolling for at least 6 credit hours per term. If the school uses clock hours, include only students attending at least 12 clock hours per week.

Section D: Your parents' 1990 income, earnings, and benefits

If the instructions tell you to skip a question, leave it blank. If your answer to any other question is "none" or "zero," put a zero in the answer space. **Don't** leave it blank or use dashes. For example:

$ 0 .00

If your parents filed (or will file) a **"Foreign Tax Return"** or a **Puerto Rican tax return,** see page 10.

22. 1990 U.S. income tax figures

From a completed return. Check only one box to indicate which IRS Form was filed. Use this tax return to answer questions 23 through 28.

Estimated. Check the correct box if your parents have not yet filed but will file a 1990 U.S. income tax return. Use their financial records to answer questions 23 through 28. For these questions, you must write in the figures that will be on the tax return. Filling out a 1990 U.S. income tax return will help you answer these questions.

42-924 0 - 91 - 3

Application for Federal Student Aid

1991-92 School Year

WARNING: If you purposely give false or misleading information on this form, you may be fined $10,000, sent to prison, or both.

"You" and "your" on this form always mean the student who wants aid.

FORM APPROVED OMB NO. 1840-0119 EXP. DAT. 6/30/92

U.S. Department of Education Student Financial Assistance Programs

Section A: Yourself

1. Your name — Last | First | M.I.
2. Your permanent mailing address. Mail will be sent to this address. See page 2 for State/Country abbreviation. — Number and Street (include Apt. No.) | City | State | ZIP Code
3. Your title (optional)
   - ☐ Mr.
   - ☐ Miss, Ms., or Mrs.
4. Your State of legal residence — State
5. Your social security number
6. Your date of birth — Month | Day | Year
7. Are you a U.S. citizen?
   - ☐ Yes, I am a U.S. citizen
   - ☐ No, but I am an eligible noncitizen. (See the instructions on page 2.) [A]
   - ☐ No, neither of the above. (See the instructions on page 2.)
8. As of **today**, are you married? (Check only one box.)
   - ☐ I am not married. (I am single, divorced, or widowed.)
   - ☐ I am married.
   - ☐ I am separated from my spouse.
9. What year will you be in college in 1991-92? (Check only one box.)
   - ☐ 1st (never previously attended college)
   - ☐ 1st (previously attended college)
   - ☐ 2nd, ☐ 3rd, ☐ 4th
   - ☐ 5th or more undergraduate
   - ☐ first year graduate/professional (beyond a bachelor's degree)
   - ☐ Continuing graduate or professional
10. Will you have your first Bachelor's degree before July 1, 1991?
    - ☐ Yes ☐ No

Section B: Student Status

11. a. Were you born **before** January 1, 1966?
    b. Are you a veteran of the U.S. Armed Forces?
    c. Are you a ward of the court or are both your parents dead?
    d. Do you have legal dependents (other than a spouse) that fit the definition in the instructions on page 3?

	Yes	No
a.	☐	☐
b.	☐	☐
c.	☐	☐
d.	☐	☐

If you answered **"Yes"** to **any** part of question 11, go to Section C and fill out the **GRAY** and the **WHITE** areas on the rest of the form. (Skip questions 12 through 15.)

If you answered **"No"** to **every** part of question 11, **and** you are:

- Unmarried now (single, divorced, separated, or widowed) and will be an undergraduate student in 1991-92, answer question 12. (Skip question 15.)
- Married now **or** will be a graduate/professional student in 1991-92, answer question 15. (Skip questions 12 through 14e.)

Unmarried Undergraduate Students Only

12. Did your parents claim you as an income tax exemption?

	Yes	No
... in 1990?	☐	☐
... in 1989?	☐	☐

If you answered **"Yes"** to **either** year in question 12, go to Section C and fill out the **GOLD** and the **WHITE** areas on the rest of the form. (Skip questions 13 through 15.)

If you answered **"No"** to **both** years in question 12, answer question 13 below.

13. **Beginning with the 1987-88 school year**, you **first** received Federal student aid. (Check only one box: a, b, c, d, or e. See instructions on page 3.)

a. ☐ in the 1987-88 school year. (Answer **14a below**. Skip 14b, 14c, 14d, and 14e.)
b. ☐ in the 1988-89 school year. (Answer **14b below**. Skip 14a, 14c, 14d, and 14e.)
c. ☐ in the 1989-90 school year. (Answer **14c below**. Skip 14a, 14b, 14d, and 14e.)
d. ☐ in the 1990-91 school year. (Answer **14d below**. Skip 14a, 14b, 14c, and 14e.)
e. ☐ in neither a, b, c, or d. (Answer **14e below**. Skip 14a, 14b, 14c, and 14d.)

14a. Did you have total resources of $4,000 or more, not including parents' support?

	Yes	No
... in 1990?	☐	☐
... in 1989?	☐	☐

14b. Did you have total resources of $4,000 or more, not including parents' support?

	Yes	No
... in 1990?	☐	☐
... in 1989?	☐	☐

14c. Did you have total resources of $4,000 or more, not including parents' support?

	Yes	No
... in 1989?	☐	☐
... in 1990?	☐	☐

14d. Did you have total resources of $4,000 or more, not including parents' support?

	Yes	No
... in 1990?	☐	☐
... in 1989?	☐	☐

14e. Did you have total resources of $4,000 or more, not including parents' support?

	Yes	No
... in 1990?	☐	☐
... in 1989?	☐	☐

- If you answered **"Yes"** to **either** year in question 14a, 14b, 14c, 14d, or 14e, go to Section C and fill out the **GOLD** and the **WHITE** areas on the rest of the form.
- If you answered **"Yes"** to **both** years in question 14a, 14b, 14c, 14d, or 14e, go to Section C and fill out the **GRAY** and the **WHITE** areas on the rest of the form.

Married or Graduate/Professional Students Only

15. Will your parents claim you as an income tax exemption in 1991?

Yes	No
☐	☐

If you answered **"Yes"** to question 15, go to Section C and fill out the **GOLD** and the **WHITE** areas on the rest of the form.

If you answered **"No"** to question 15, go to Section C and fill out the **GRAY** and the **WHITE** areas on the rest of the form.

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SUPPLEMENTAL INFORMATION

Section F: 1990 expenses

33. 1990 medical and dental expenses not paid by insurance

34. 1990 elementary, junior high, and high school tuition for dependent children

34a. Amount paid. (Don't include tuition paid to the applicant.)

34b. For how many dependent children?

STUDENT (& SPOUSE)

33. $ _____ .00

34a. $ _____ .00

34b. ☐

Section G: Asset Information

If you are completing this page, you must fill out the student (& spouse) column below.

35. Is either of your parents a dislocated homeworker? (See the instructions on page 7.)

36. Enter the age of your older parent.

37. Cash, savings, and checking accounts

38. Home. (Renters write in 0.)

39. Other real estate and investments

40. Business and farm

41. Does any part of item 40 include a farm?

STUDENT (& SPOUSE)

35. ☐ Yes ☐ No

36. What is it worth today? What is owed on it?

37. $ .00

38. $ .00

39. $ .00

40. $ .00

41. ☐ Yes ☐ No

Section H: Your veterans educational benefits per month *(for the student only)*

(If you are completing this page, you must answer question 42. If you are filling out the GRAY and the WHITE areas, you must also answer question 43.)

Expected Amount July 1, 1991 through June 30, 1992

42. Your veterans Dependents Educational Assistance Program benefits

42a. Amount per month $ _____ .00 a month

42b. Number of months ☐☐ months

43. Your Veterans Contributory Benefits (VEAP)

43a. Amount per month $ _____ .00 a month

43b. Number of months ☐☐ months

Section I: Expected 1991 taxable and nontaxable income and benefits

(You *must* see the instructions for income and taxes that you should exclude from questions 45 through 49.)

If you are completing this page, you must fill out the student (& spouse) column below.

STUDENT (& SPOUSE)

44. Is either of your parents **certified** as a dislocated worker by the appropriate agency? (See the instructions on page 8.)

44. Are you or is your spouse **certified** as a dislocated worker by the appropriate agency? (See the instructions on page 8.)

☐ Yes (If you had any unemployment and income taxes, see the instructions on page 8.)

☐ No

45. 1991 income earned from work. Father

46. 1991 income earned from work. Mother

47. 1991 other taxable income

48. 1991 U.S. income tax to be paid

49. 1991 nontaxable income and benefits. (See instructions on page 9.)

Student 45. $ .00

Spouse 46. $ .00

47. $ .00

48. $ .00

49. $ .00

STOP You have finished the application. Recheck your application. **MAKE SURE THAT YOU HAVE COMPLETED SECTION E.**
Mail the application to: Federal Student Aid Programs, P.O. Box 6900, Princeton, NJ 08541

Section E: College Release and Certification

29. What college(s) do you plan to go to in 1991-92?

College Name	Street Address	City	State
29a			
29b			
29c			

30. Do you give the U.S. Department of Education permission to send information from this form to:

30a. The financial aid agencies of your State? ☐ Yes ☐ No

30b. The college(s) you named in 29 (or its representative)? ☐ Yes ☐ No

31. ☐ Check this box if you give Selective Service permission to register you. See instructions on page 6.

Dept. of Ed Use Only
Do not enter in this box

32. **Read and sign**

Certification: All of the information on this form and the Supplemental Information page, if completed, is true and complete to the best of my knowledge. If asked by an authorized official, I agree to give proof of the information that I have given on this form and the Supplemental Information page, if completed. I realize that this proof may include a copy of my U.S., State, or local income tax return. I also realize that if I do not give proof when asked, the student may be denied aid.

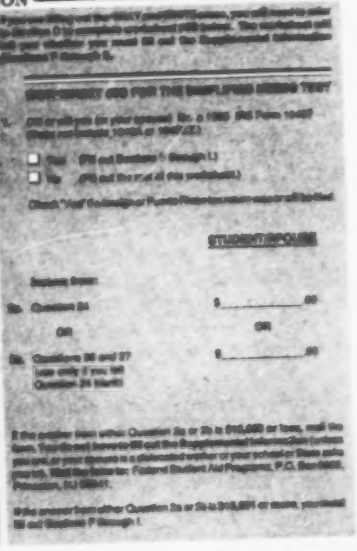
Everyone giving information on this form must sign below. If you don't sign this form, it will be returned unprocessed.

1. Student

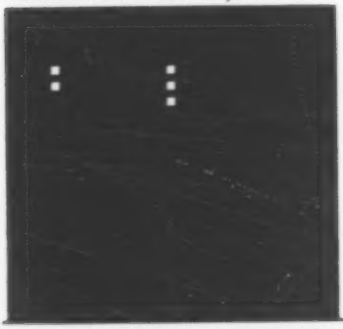
2. Student's spouse

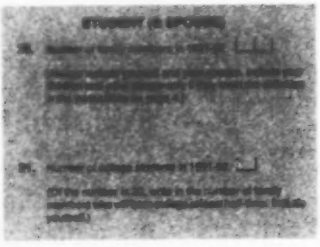
Date completed: Month Day Year ☐ 1991 ☐ 1992

ATTENTION



Section C: Household Information





Section D: 1990 Income, earnings, and benefits

(You *must* see the instructions for income and taxes that you should exclude from questions 24 through 28.)

22. The following 1990 U.S. income tax figures are from:

Everyone must fill out the Student (& Spouse) column below.

STUDENT (& SPOUSE)

(Check only one box.)

- ☐ a completed 1990 IRS Form 1040EZ or 1040A (Go to 23.)
- ☐ a completed 1990 IRS Form 1040 (Go to 23.)
- ☐ an estimated 1990 IRS Form 1040EZ or 1040A (Go to 23.)
- ☐ an estimated 1990 IRS Form 1040 (Go to 23.)
- ☐ a tax return will not be filed (Skip to 25.)

TAX FILERS ONLY

23. 1990 total number of exemptions. (Form 1040 line 6e, or 1040A line 6e, 1040EZ line 5, see instructions on page 7.) ☐☐

24. 1990 Adjusted Gross Income (AGI). (Form 1040 line 31, 1040A line 16, or 1040EZ line 3, or see instructions on pages 5 and 6.) $ .00

25. 1990 U.S. income tax paid. (Form 1040 line 47, 1040A line 25, or 1040EZ line 7.) $ .00

	26. 1990 income earned from work: Father	Student	$ .00
	27. 1990 income earned from work: Mother	Spouse	$ .00

28. 1990 untaxed income and benefits (yearly totals only)

28a. Social security benefits	$ .00
28b. Aid to Families with Dependent Children (AFDC or ADC)	$ .00
28c. Child support received for all children	$ .00
28d. Other untaxed income and benefits from worksheet #2 on page 11	$ .00

Everyone must answer the questions in the Student & Spouse columns in Section D.

Section D: Your (& your spouse's) 1990 income, earnings and benefits

If the instructions tell you to skip a question, leave it blank. If your answer to any other question is "none" or "zero," put a zero in the answer space. **Don't** leave it blank or use dashes. For example:

$ 0 .00

If you or your spouse filed (or will file) a **"Foreign Tax Return"** or a **Puerto Rican tax return**, see page 10.

22. **1990 U.S. income tax figures**

From a completed return. Check only one box to indicate which IRS Form was filed. Use this tax return to answer questions 23 through 28.

Estimated. Check the correct box if you (and your spouse) have not yet filed but will file a 1990 U.S. income tax return. Use your financial records to answer questions 23 through 28. For these questions, you must write in the figures that will be on the tax return. Filling out a 1990 U.S. income tax return will help you answer these questions.

A tax return will not be filed. Check this box if you (and your spouse) will not file a 1990 U.S. income tax return. Don't answer questions 23 through 25. Skip to question 26.

If you are divorced, separated, or widowed, and you filed (or will file) a joint tax return for 1990, give only your portion of the exemptions and income asked for in questions 23 through 28.

If you are married and you and your spouse filed (or will file) separate tax returns for 1990, be sure to include both your and your spouse's exemptions and income in questions 23 through 28, even if you were not married in 1990.

23. **Total number of exemptions for 1990.** Write in the number from Form 1040, line 6e or 1040A, line 6e. If you used the 1040EZ and you checked "Yes" in question 4 of that form, write in "00." Otherwise write in "01."

Important: See the table on the next page for some of the types of student financial aid that you should exclude from income and taxes in questions 24 through 28.

Student Financial Aid	Exclude if based on need	Exclude if not based on need
Grants, Scholarships or Fellowships	Yes	Yes
Earnings from a work program including Assistantships	Yes	No
Loans	Yes	Yes

24. **Adjusted Gross Income (AGI) for 1990. Don't include** any income or capital gains from the sale of a business or farm, if the sale resulted from a voluntary or involuntary foreclosure, forfeiture, or bankruptcy or involuntary liquidation.

Use worksheet #1 on page 11 to answer question 24 if you cannot get a 1990 tax form, but will be filing one.

25. **U.S. Income tax paid for 1990.** Make sure this amount doesn't include any FICA, self-employment, or other taxes. **Don't** copy the amount of "Federal income tax withheld" from a W-2 Form.

26. **Income earned from work in 1990.**

&

27. **If you skipped questions 23 through 25,** include your (and your spouse's) earnings from work in 1990. Add up the earnings from your (and/or your spouse's) W-2 forms and any other earnings from work that are not included on the W-2.

If you answered questions 23 through 25, include the "wages, salaries, tips, etc." from your (and your spouse's) Form 1040, line 7; 1040A, line 7; or 1040EZ, line 1. If you (and your spouse) filed a joint return, report your and your spouse's earnings separately. If you (and your spouse) own a business or farm, also add in the numbers from Form 1040, lines 12 and 19.

28. **Untaxed income and benefits for 1990.**

Don't include benefits reported in questions 28a, 28b, 28c, and 28d of the parent column.

28a. **Social security benefits for 1990.** Write in the amount of untaxed social security benefits (including Supplemental Security Income) that you (and your spouse) got in 1990. Don't include any benefits reported in question 24. Don't report monthly amounts; write in the total for 1990. Be sure to include the amounts that you got for your children.

28b. **Aid to Families with Dependent Children (AFDC or ADC) for 1990.** Don't report monthly amounts; write in the total for 1990. Don't report social security benefits.

28c. **Child support received for all children.** Don't report monthly amounts; write in the total for 1990.

28d. **Other untaxed income and benefits for 1990.** Add up your (and your spouse's) untaxed income and benefits for 1990. Use worksheet #2 on page 11. Be sure to include your (and your spouse's) earned income credit and deductible IRA/Keogh payments, if any.

Section E: College Release and Certification

29. Write in the **complete** name, city, and State of the college(s) that you will **most** likely be going to during the 1991-92 school year. In 29a, write in the name and address of your first college choice. In 29b, write in the name and address of your second college choice. In 29c, write in the name and address of your third college choice. Do not use abbreviations for the name or address of the college. If the college you may be going to is a branch campus, be sure to include the complete name of the branch. If you don't know yet which college(s) you are most interested in, you may leave this question blank.

30. We are permitted by regulation to provide your name, address, social security number, date of birth, Pell Grant Index (PGI), Family Contribution (FC), student status, year in college, and State of legal residence to the college(s) that you listed in question 29a, 29b, and 29c (or its representative), even if you check "No" to question 30b. This information will also go to the State agencies in your State of legal residence to help coordinate State financial aid programs with Federal student aid programs, even if you check "No" to question 30a. However, no additional information such as income information will be sent if you check "No" to question 30a or 30b.

30a. Check "Yes" if you give us permission to send information from this form to the financial aid agencies in your State. Some State agencies ask for this information. They may use it to help decide whether you will get a State award and to check to see if you reported correct information on your State student aid application. Also, they may use it to help in the processing of your application for a Stafford Loan, if you are eligible.

Check "No" if you don't want us to send information from this form to the financial aid agencies in your State. If you check "No," any State aid you might be eligible for may be delayed, but it will have no effect on your Federal aid.

30b. Check "Yes" if you give us permission to send information from this form to the college(s) that you listed in question 29a, 29b, and 29c (or its representative). Many colleges use this information to help estimate the amount of your financial aid package.

Check "No" if you don't want us to send information from this form to the college(s) that you listed in question 29a, 29b, and 29c (or its representative).

31. **Selective Service Registration**

In order to receive Federal student aid you must be registered with Selective Service if:

- you are a male who is at least 18 years old and born after December 31, 1959.

Check the box **only** if you:

- are a male and are 18 through 25 years of age, **and**
- have not yet registered with Selective Service, **and**
- give Selective Service permission to register you.

If you believe that you are not required to be registered, call the Selective Service at 1-800-621-5388 for information regarding exemptions.

32. **Read and sign**

You must sign this form. If you don't sign this form, it will be returned unprocessed. If you are married, your spouse must

FREE

Application for Federal Student Aid

1991-92 School Year

FORM APPROVED OMB NO. 1840-0119 EXP. EXP. 6/30/92

U.S. Department of Education Student Financial Assistance Programs

WARNING: If you purposely give false or misleading information on this form, you may be fined $10,000, sent to prison, or both.

"You" and "your" on this form always mean the student who wants aid.

Section A: Yourself

1. Your name — Last | First | M.I.
2. Your permanent mailing address (Mail will be sent to this address. See page 2 for State/Country abbreviation.) — Number and Street (Include Apt. No.) | City | State | ZIP Code
3. Your title *(optional)*
   - ❑ Mr.
   - ❑ Miss, Ms., or Mrs.
4. Your State of legal residence — State
5. Your social security number
6. Your date of birth — Month | Day | Year
7. Are you a U.S. citizen?
   - ❑ Yes, I am a U.S. citizen.
   - ❑ No, but I am an eligible noncitizen. *(See the instructions on page 2.)* [A]
   - ❑ No, neither of the above. *(See the instructions on page 2.)*
8. As of **today**, are you married? *(Check only one box.)*
   - ❑ I am not married. (I am single, divorced, or widowed.)
   - ❑ I am married.
   - ❑ I am separated from my spouse.
9. What year will you be in college in 1991-92? *(Check only one box.)*
   - 1 ❑ 1st *(never previously attended college)*
   - 2 ❑ 1st *(previously attended college)*
   - 3 ❑ 2nd 4 ❑ 3rd 5 ❑ 4th
   - 6 ❑ 5th or more undergraduate
   - 7 ❑ first year graduate/professional (beyond a bachelor's degree)
   - 8 ❑ Continuing graduate or professional
10. Will you have your first Bachelor's degree before July 1, 1991?
    - ❑ Yes ❑ No

Section B: Student Status

	Yes	No
11. **a.** Were you born **before** January 1, 1968?	❑	❑
b. Are you a veteran of the U.S. Armed Forces?	❑	❑
c. Are you a ward of the court or are both your parents dead?	❑	❑
d. Do you have legal dependents *(other than a spouse)* that fit the definition in the instructions on page 3?	❑	❑

If you answered **"Yes"** to **any** part of question 11, go to Section C and fill out the **GRAY** and the **WHITE** areas on the rest of the form. (Skip questions 12 through 15.)

If you answered **"No"** to **every** part of question 11, **and** you are:

- Unmarried now (single, divorced, separated, or widowed) **and** will be an undergraduate student in 1991-92, answer question 12. (Skip question 15.)
- Married now **or** will be a graduate/professional student in 1991-92, answer question 15. (Skip questions 12 through 14e.)

Unmarried Undergraduate Students Only

12. Did your parents claim you as an income tax exemption?

	Yes	No
... in 1990?	❑	❑
... in 1989?	❑	❑

If you answered **"Yes"** to **either** year in question 12, go to Section C, and fill out the **GOLD** and the **WHITE** areas on the rest of the form. (Skip questions 13 through 15.)

If you answered **"No"** to **both** years in question 12, answer question 13 below.

13. **Beginning with the 1987-88 school year,** you **first** received Federal student aid. *(Check only one box: a, b, c, d, or e. See instructions on page 3.)*

- **a.** ❑ in the 1987-88 school year. (Answer **14a below.** Skip 14b, 14c, 14d, and 14e.)
- **b.** ❑ in the 1988-89 school year. (Answer **14b below.** Skip 14a, 14c, 14d, and 14e.)
- **c.** ❑ in the 1989-90 school year. (Answer **14c below.** Skip 14a, 14b, 14d, and 14e.)
- **d.** ❑ in the 1990-91 school year. (Answer **14d below.** Skip 14a, 14b, 14c, and 14e.)
- **e.** ❑ in neither a, b, c, or d. (Answer **14e below.** Skip 14a,14b, 14c, and 14d.)

14a. Did you have total resources of $4,000 or more, not including parents' support

	Yes	No
... in 1988?	❑	❑
... in 1989?	❑	❑

14b. Did you have total resources of $4,000 or more, not including parents' support

	Yes	No
... in 1988?	❑	❑
... in 1989?	❑	❑

14c. Did you have total resources of $4,000 or more, not including parents' support

	Yes	No
... in 1989?	❑	❑
... in 1990?	❑	❑

14d. Did you have total resources of $4,000 or more, not including parents' support

	Yes	No
... in 1990?	❑	❑
... in 1991?	❑	❑

14e. Did you have total resources of $4,000 or more, not including parents' support

	Yes	No
... in 1990?	❑	❑
... in 1991?	❑	❑

- If you answered **"No"** to **either** year in question 14a, 14b, 14c, 14d, **or** 14e, go to Section C and fill out the **GOLD** and the **WHITE** areas on the rest of the form.
- If you answered **"Yes"** to **both** years in question 14a, 14b, 14c,14d, **or** 14e, go to Section C and fill out the **GRAY** and the **WHITE** areas on the rest of the form.

Married or Graduate/Professional Students Only

15. Will your parents claim you as an income tax exemption in 1991?

Yes	No
❑	❑

If you answered **"Yes"** to question 15, go to Section C and fill out the **GOLD** and the **WHITE** areas on the rest of the form.

If you answered **"No"** to question 15, go to Section C and fill out the **GRAY** and the **WHITE** areas on the rest of the form.

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SUPPLEMENTAL INFORMATION

Section F: 1990 expenses

[redacted]

STUDENT (& SPOUSE)

33. $_____.00

34a. $_____.00

34b. ☐ _____

Section G: Asset Information

[redacted]

If you are completing this page, you must fill out the student (& spouse) column below.

STUDENT (& SPOUSE)

35. Are you, or is your spouse, a dislocated worker? ☐ Yes ☐ No (See the instructions on page 3.)

36. **********

	What is it worth today?	What is owed on it?
37.	$ .00	**********
38.	$ .00	$ .00
39.	$ .00	$ .00
40.	$ .00	$ .00
41.	☐ Yes ☐ No	

Section H: Your veterans educational benefits per month *(for the student only)*

If you are completing this page, you must answer question 42. If you are filling out the GRAY and the WHITE areas, you must also answer question 43.)

Expected Amount July 1, 1991 through June 30, 1992

42. Your basic Department of Veterans Assistance Program benefits

42a. Amount per month $_____.00 a month

42b. Number of months ☐☐ months

43. Your Veterans Contributory Benefits (VEAP)

43a. Amount per month $_____.00 a month

43b. Number of months ☐☐ months

Section I: Expected 1991 taxable and nontaxable income and benefits

You must see the instructions for income and taxes that you should exclude from questions 45 through 49.)

[redacted]

If you are completing this page, you must fill out the student (& spouse) column below.

STUDENT (& SPOUSE)

44. Are you, or is your spouse, certified as a dislocated worker by the appropriate agency? (See the instructions on page 3.) ☐ Yes (Fill out the rest of this column.) ☐ No (Skip this column and mail the form.)

45.	Student's earnings from work	Father	Student: $ .00
46.	Spouse's earnings from work	Mother	Spouse: $ .00
47.	Other untaxable income		$ .00
48.	Child support received for this child		$ .00
49.	Taxable scholarship, grant, and fellowship income (See instructions on page 3.)		$ .00

STOP You have finished the application. Recheck your application. **MAKE SURE THAT YOU HAVE COMPLETED SECTION E.** Mail the application to: Federal Student Aid Programs, P.O. Box 6300, Princeton, NJ 08541.

Section E: College Release and Certification

29. What college(s) do you plan to go to in 1991-92?

College Name	Street Address	City	State
29a.			
29b.			
29c.			

30. Do you give the U.S. Department of Education permission to send information from this form to:

30a. The financial aid agencies in your State? ☐ Yes ☐ No

30b. The college(s) you named in 29 (or its representative)? ☐ Yes ☐ No

31. ☐ Check this box if you give Selective Service permission to register you. (See instructions on page 6.)

Dept. of Ed Use Only
Do not write in this box. | | | | | | |

32. **Read and sign**

Certification: All of the information on this form and the Supplemental Information page, if completed, is true and complete to the best of my knowledge. If asked by an authorized official, I agree to give proof of the information that I have given on this form and the Supplemental Information page, if completed. I realize that this proof may include a copy of my U.S., State, or local income tax return. I also realize that if I do not give proof when asked, the student may be denied aid.

Everyone giving information on this form must sign below. If you don't sign this form, it will be returned unprocessed.

1 Student

2 Student's spouse

Date completed: Month | Day | Year: ☐ 1991 ☐ 1992

ATTENTION

$ _____ .00

☐ Yes (Fill out Sections F through I.)
☐ No (Fill out the rest of this worksheet.)

Choose "Yes" if college or Pell Grant has not arrived or will be filed.

STUDENT/SPOUSE

Income from:

36a. Question 34 $ _____ .00

OR OR

36b. Questions 35 and 37 (use only if you left Question 34 blank) $ _____ .00

If the answer from either Question 36a or 36b is $15,000 or less, read the form. You do not have to fill out the Supplemental Information (unless you are, or your spouse is a dislocated worker or your school or State asks you to). Mail the form to: Federal Student Aid Programs, P.O. Box 6800, Princeton, NJ 08541.

If the answer from either Question 36a or 36b is $15,001 or more, you must fill out Sections F through I.

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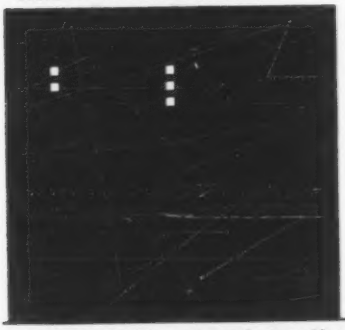
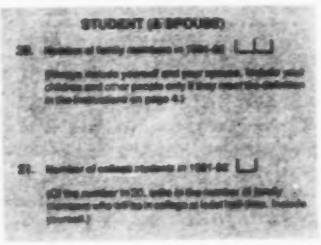
Section C: Household Information

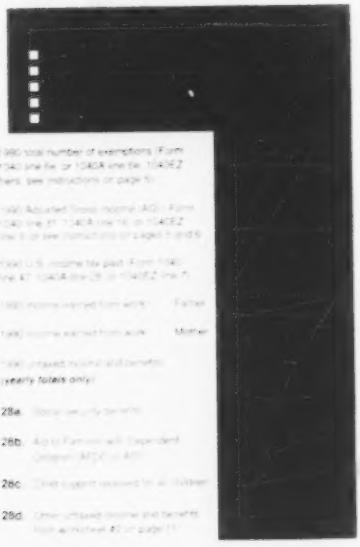




Section D: 1990 Income, Earnings, and Benefits

(You must see the instructions for income and taxes that you should include from questions 24 through 28.)

22. The following 1990 U.S. income tax figures are from:



Everyone must fill out the Student (& Spouse) column below.

STUDENT (& SPOUSE)

(Check only one box.)

- ☐ a completed 1990 IRS Form 1040EZ or 1040A
- ☐ a completed 1990 IRS Form 1040
- ☐ an estimated 1990 IRS Form 1040EZ or 1040A
- ☐ an estimated 1990 IRS Form 1040
- ☐ a tax return will not be filed

TAX FILERS ONLY

23. 1990 total number of exemptions (Form 1040, line 6e, or 1040A line 6e, 1040EZ, line 5; see instructions on page 5) ☐☐

24. 1990 Adjusted Gross Income (AGI) (Form 1040, line 31, 1040A line 16, or 1040EZ line 3; or see instructions on page 5 and 6) $ .00

25. Total U.S. income tax paid (Form 1040, line 47, 1040A line 28, or 1040EZ line 7) $ .00

26. 1990 income earned from work — Father $ .00

27. 1990 income earned from work — Mother $ .00

28. 1990 untaxed income and benefits (*yearly totals only*)

28a. Social security benefits $ .00

28b. Aid to Families with Dependent Children (AFDC or ADC) $ .00

28c. Child support received for all children $ .00

28d. Other untaxed income and benefits (see worksheet #2 on page 11) $ .00

sign this form. If you filled out the GOLD and the WHITE areas, at least one of your parents must also sign this form. **Everyone signing this form is certifying that all information on the form is correct** and that they are willing to provide documents to prove that the information is correct. Such documents may include U.S., State, or local tax returns. Any AFSA dated or received before January 1, 1991 will be returned unprocessed.

Sending In Your Form

Double-check your form to make sure it is complete and accurate. Be sure it has the necessary signatures.

Put the form in the envelope provided in this booklet. Don't send money. Don't put letters, tax forms, worksheets, or any extra materials in the envelope. **They will be destroyed.**

Instructions for the Supplemental Information

Section F: Your (& your spouse's) 1990 expenses

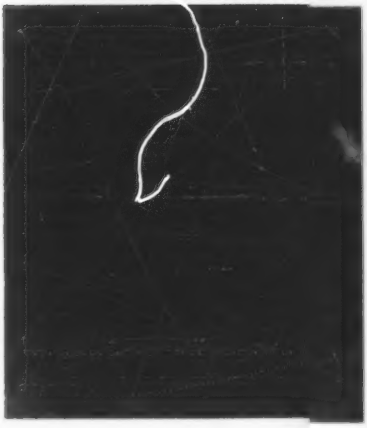
Don't leave any of these questions blank. If a question doesn't apply to you, write in "0."

33. **Medical and dental expenses in 1990 not paid by insurance.** Write in the amount of money that you (and your spouse) **paid** in 1990 for medical and dental expenses (include insurance premiums). Don't include amounts covered by insurance or self-employed health deductions from Form 1040 line 28. If you (and your spouse) itemized deductions on your 1990 U.S. income tax return, enter the amount from Form 1040, Schedule A, line 1.

34. **Elementary, junior high, and high school tuition paid in 1990.**

34a. Write in the amount of money that you (and your spouse) paid in 1990 for elementary, junior high, and high school tuition for family members who were included in question 20. (Tuition doesn't include room, board, books, transportation, etc.) Don't include tuition that you paid for yourself, tuition paid by scholarships, or any tuition paid for preschool or college.

34b. Write in the number of dependent children for whom the amount listed in 34a was paid in 1990. Don't include yourself or any person who was not included in question 20.



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Section G: Your (& your spouse's) assets

Don't leave any of these questions blank. If a question doesn't apply to you, write in "0."

You must give information about your and your spouse's assets in Section G. If you are divorced or separated and you and your spouse have jointly owned assets, go on to you and your spouse's assets and debts. If you and your spouse have assets owned jointly with someone else, give only your and your spouse's portion of the assets and debts. Be sure to give information about assets held in trust for you and your spouse.

In Section G, **don't include**:

- Personal household assets, (e.g. beds) as they are not listed in the assets listed.
- The value of retirement plans (pension funds, annuities, IRAs, Keogh Plans, etc.).
- Student financial aid.

35. Check "Yes" if you or your spouse meets **all** of the following descriptions for a displaced homemaker:

- you or your spouse has not worked full time in the labor force for a substantial number of years, e.g., approximately five years or more, but has during those years worked in the home providing unpaid services for family members; **and**
- you or your spouse has been dependent on public assistance or on the income of another family member, but is no longer receiving that income, or you or your spouse is receiving public assistance because of dependent children in the home; **and**
- you or your spouse is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.

"Unemployed" means not working this week but being available for work. To qualify, you or your spouse must have made specific efforts to get a job sometime during the last four weeks.

"Underemployed" means working part time even though you want or your spouse wants full time employment. It refers to a condition where work is slack or only part time work is available.

Check "No" if neither you nor your spouse meets **all** of the descriptions mentioned above.

36. **Home.** If you and/or your spouse own a home, write in how much the home is worth. Use the price you could reasonably expect to receive for the home if it were on sale **today**. Don't use assessed, insured, or taxed value. A "home" includes a house, mobile home, condominium, etc. Renters, write in 0.

Then, write in how much you and/or your spouse owe on the home, including the present mortgage and related debts on the home. (Don't include interest due.) Check with the mortgage company if you don't know.

39. **Other real estate and investments.** If you and/or your spouse own other real estate - including rental property and second or summer homes or have any interests, write in how much they are worth **today**. Investments include mutual funds, money market funds, mutual funds, certificates of deposit, stocks, bonds, other securities, installment land and sale contracts (including mortgages held), commodities, precious and strategic metals, etc.

Then, write in how much you and/or your spouse owe on other real estate and investments.

40. **Business and farm.** If you and/or your spouse own a business and/or farm, write in how much they are worth **today**. Include the value of land, buildings, machinery, equipment, livestock, inventories, etc. Don't include the home. Home value and debt should be given in question 36.

Then, write in what you and/or your spouse owe on the business and/or farm. Include only the present mortgage and related debts for which the business and/or farm assets used as collateral.

If you and your spouse are not the sole owners, write in only your and your spouse's share of the total value and debt.

Section H: Your 1991-92 veterans educational benefits per month *(for the student only)*

42. **Your veterans Dependents Educational Assistance Program benefits.**

42a. Write in the amount of veterans Dependents Educational Assistance Program (Chapter 35) benefits that you expect to get per month **from July 1, 1991 through June 30, 1992. Don't include** Death Pension or Dependency & Indemnity Compensation (DIC).

42b. Write in the number of months **from July 1, 1991 through June 30, 1992** that you expect to get those benefits.

43. **Your Veterans Contributory Benefits (VEAP).**

43a. Write in the amount of Veterans Contributory Benefits (Chapter 32) that you expect to get per month **from July 1, 1991 through June 30, 1992.** *(Include both the Government and student portions.)* **Don't include** Death Pension or Dependency & Indemnity Compensation (DIC).

43b. Write in the number of months **from July 1, 1991 through June 30, 1992** that you expect to get those benefits.

Section I: Your parents' expected 1991 taxable and nontaxable income and benefits

How to figure expected amounts

This section asks about income and benefits that your parents expect to get. If your parent is divorced, separated, or widowed, don't include information about the other parent. Answer these questions as accurately as you can. If a question doesn't apply, or your parents don't expect to get any income or benefits from that source, write in "0."

44. Check "Yes" if either of your parents (for whom you are providing information) is currently certified as a "**Dislocated Worker**" (see page 10) by the appropriate State agency.

If you checked "Yes," you may be asked to document your parent's status as a dislocated worker.

Check "No" if neither of your parents is certified as a dislocated worker. Skip to question 44 in the Student (& Spouse) column.

Important: See the table on page 5 for the kinds of income and taxes to leave out of Section I.

45. and **46. 1991 income earned from work.** Include wages, salaries, and tips. See **Important** note above.

47. **1991 other taxable income.** Write in the total amount of other taxable income that your parents will report on their 1991 IRS Form 1040, 1040A, or 1040EZ. Include interest and dividend income and any other taxable income. **Don't** include any unemployment compensation or any income that you reported in questions 45 and 46.

48. **1991 U.S. income tax to be paid.** Write in the amount of income taxes that your parents expect to pay in 1991. Make sure this amount doesn't include any FICA, self-employment, or other taxes.

49. **1991 nontaxable income and benefits.** These are the same types of income and benefits that were asked for in questions 28a, 28b, 28c, and 28d.

Section I: Your (& your spouse's) expected 1991 taxable and nontaxable income and benefits

How to figure expected amounts

This section asks about income and benefits that you (and your spouse) expect to get. If you are divorced, separated, or widowed, don't include information about your spouse. Answer these questions as accurately as you can. If a question doesn't apply to you, or if you don't expect to get any income or benefits from that source, write in "0."

44. Check "Yes" if you or your spouse is currently certified as a "**Dislocated Worker**" (see page 10) by the appropriate State agency.

If you checked "Yes," you may be asked to document your status (or that of your spouse) as a dislocated worker.

Check "No" if neither you nor your spouse is certified as a dislocated worker. Skip the rest of this section.

Important: See the table on page 6 for the kinds of income and taxes to leave out of Section I.

45. and **46. 1991 income earned from work.** Include wages, salaries, and tips. See **Important** note above.

47. **1991 other taxable income.** Write in the total amount of other taxable income that you (and your spouse) will report on your 1991 IRS Form 1040, 1040A, or 1040EZ. Include interest and dividend income and any other taxable income. **Don't** include any unemployment compensation or any income that you reported in questions 45 and 46.

48. **1991 U.S. income tax to be paid.** Write in the amount of income taxes that you and your spouse expect to pay in 1991. Make sure this amount doesn't include any FICA, self-employment, or other taxes.

49. **1991 nontaxable income and benefits.** These are the same types of income and benefits that were asked for in questions 28a, 28b, 28c, and 28d.

Sending In Your Form

Double-check your form to make sure it is complete and accurate. Be sure it has the necessary signatures.

Put the form in the envelope provided in this booklet. Don't send money. Don't put letters, tax forms, worksheets, or any extra materials in the envelope. **They will be destroyed.**

Special Instructions Definitions

Dislocated Worker - To be considered a dislocated worker, you must be currently certified as one by a State agency such as your local Employment Service or Job Service. This certification is done in accordance with Title III of the Job Training Partnership Act. A dislocated worker generally means a person who:

- has been terminated or laid-off or has received a notice of termination or lay-off;
- has been terminated or received a notice of termination as a result of permanent closure of a plant or other facility; **or**
- was self-employed (including farmers) but is now unemployed because of poor economic conditions in the community or a natural disaster.

Foreign Tax Return - If you and your spouse, or your parents, aren't be filing a U.S. income tax return in 1990 (for example, Puerto Rican tax filers), follow the instructions below:

- In question 22, check the box "completed 1990 IRS Form 1040" (if a foreign tax return has been filed), or "estimated 1990 IRS Form 1040" (if a foreign tax return will be filed).
- use the information from that tax return to fill out this form;
- convert all figures to U.S. dollars, using the exchange rate that is in effect **today**; and
- fill out the Supplemental Information (Sections F-I).

Legal Guardian - A legal guardian is a person who a court has:

- appointed to be your legal guardian and this legal relationship will continue after June 30, 1992; **and**
- directed to support you with his or her own financial resources.

Native American - If you are a Native American, report the amount of income and assets over $2,000 per individual payment that you and your spouse or your parents received in 1990 from the Per Capita Act or the Distribution of Judgment Funds Act. If $2,000 or less per individual payment was received from either of these Acts, don't report it. Don't report funds received as an award under the Alaska Native Claims Settlement Act or the Maine Indian Claims Settlement Act. Also, don't report any assets received from the Alaska Native Claims Settlement Act.

Additional Information On The Federal Student Financial Aid Programs

How Long Does It Take To Complete This Application?

It takes approximately 40 minutes to one hour and 30 minutes to complete this application. This includes the time for reviewing the instructions and form, gathering and maintaining the necessary information and completing the form.

Send your comments regarding the time it takes to complete this form or any other aspects of the application including suggestions for reducing this burden to: U.S. Department of Education, Information Management and Compliance Division, Washington, D.C. 20202-4651; or to the Office of Management and Budget, Paperwork Reduction Project: 1840-0110, Washington, D.C. 20503.

Do All Schools Take Part In The Federal Student Financial Aid Programs?

No. More than 8,600 schools do take part in one or more of them. Contact your school's financial aid administrator to find out which Federal programs your school participates in.

Where Can I Get More Information On Federal Student Financial Aid?

This booklet gives you only a brief summary of the student financial aid programs offered by the U.S. Department of Education. Each student financial aid program has its own special features and procedures. You can get more information from the booklet: **The Student Guide: Financial Aid from the U.S. Department of Education - Grants, Loans, and Work-Study 1991-92.** To get a free copy, write to:

Federal Student Aid Information Center
P.O. Box 84
Washington, D.C. 20044

What Happens After I Mail In My Form?

Within four to six weeks after you mail in your form, the U.S. Department of Education will send you a **Student Aid Report** (SAR). On the SAR will be either a request for further information or numbers called a **Pell Grant Index** (PGI) and a **Family Contribution** (FC). We use formulas established by law to figure these numbers from the information you give us. Your school or the U.S. Department of Education may ask you to prove that the information you give on your application is true.

What Is My Pell Grant Index (PGI)?

The PGI is a number that tells whether you may be able to get a Pell Grant. If you are eligible for a Pell Grant, your school will use this number to determine the amount of your award. Even if you don't qualify for a Pell Grant, you may still qualify for one or more of the other Federal programs. Be sure to ask your financial aid administrator if your school needs any additional information from you for these other programs.

What Is My Family Contribution (FC)?

The FC is a number that helps your financial aid administrator determine if you are able to get one of the several available forms of assistance. These include Stafford Loan, SEOG, CWS, and Perkins Loan. Your school will use this number to determine the amount of your grant, loan or work-study award.

What Happens If I Don't Get A SAR Or I Need Another Copy Of My SAR?

If you don't get a SAR within four to six weeks, or you need another copy of your SAR, write to:

Federal Student Aid Programs
P.O. Box 6904
Princeton, NJ 08541

Give your name, address, social security number, and date of birth. Be sure to ask for another copy of your **1991-92 SAR**. If your address has changed since you sent in your application, be sure to give us both your old and your new address. Be sure to sign your letter.

What If My Situation Changes?

- Questions 11, 15, 18, 19, 20, and 21 ask you to make projections for the upcoming year. If your answers to these questions change, **wait** until you receive your SAR and then see your financial aid administrator.
- The income and expenses information that you give must be accurate. They must match what is or will be on your 1990 income tax forms. If your financial situation has recently changed, contact your financial aid administrator.

Worksheet #1

	For question 24 Parents	For question 24 Student/Spouse
Wages, salaries, tips, etc.	$ .00	$ .00
Interest income	+ .00	+ .00
Dividends	+ .00	+ .00
Other **taxable** income, alimony received, business and farm income, capital gains, pensions, annuities, rents, unemployment compensation, Social security, Railroad Retirement, and all other taxable income (see the tables on pages 5 and 6 and the instructions for question 24)	+ .00	+ .00
Add all of the numbers in the column	+ .00	+ .00
Subtract IRS-allowable adjustments to income (payments to IRA and Keogh Plans, interest penalty on early withdrawal of savings, and alimony paid)	.00	.00
TOTAL - This is your answer for question #24	$ .00	#24 $ .00

Worksheet #2

	For question 28d Parents	For question 28d Student/Spouse
Amounts from IRS tax forms		
Deductible IRA and/or Keogh payments from Form 1040 total of lines 24a, 24b, and 27 or 1040A line 15c	$ .00	$ .00
Earned income credit from Form 1040 line 57 or 1040A line 29b	+ .00	+ .00
Untaxed portions of pensions from Form 1040 line 16a minus 16b and 17a minus 17b or 1040A line 10a minus 10b and 11a minus 11b (excluding "rollovers")	+ .00	+ .00
Credit for Federal tax on special fuels from Form 1040 line 60	+ .00	+ .00
Foreign income exclusion from Form 2555 line 39	+ .00	+ .00
Tax exempt interest income from Form 1040 line 8b or 1040A line 8b	+ .00	+ .00
Other Untaxed Income and Benefits		
Payments to tax deferred pension and savings plans (paid directly or withheld from earnings). Include untaxed portions of 401(k) and 403(b) plans	+ .00	+ .00
Welfare benefits (except AFDC or ADC) which you should have reported in question 28b	+ .00	+ .00
Workers' Compensation	+ .00	+ .00
Veterans noneducational benefits such as Death Pension, Dependency & Indemnity Compensation (DIC), etc.	+ .00	+ .00
Housing, food, and other living allowances (excluding rent subsidies for low income housing) paid to members of the military, clergy, and others (including cash payments and cash value of benefits)	+ .00	+ .00
Child support or any money paid on your behalf, including support from a non-custodial parent	XXXXXXXXX	+ .00
Any other untaxed income and benefits, such as Black Lung Benefits, Refugee Assistance, untaxed portions of Railroad Retirement Benefits, or Job Training Partnership Act noneducational benefits	+ .00	+ .00
TOTAL - This is your answer for question #28d	$ .00	#28d $ .00

Don't include:

- Social security
- Any income reported elsewhere on the form
- Money from student financial aid
- Food stamps
- Gifts and support, other than money, received from friends or relatives
- Veterans educational benefits (GI Bill, Dependents Educational Assistance Program, VA Vocational Rehabilitation Program, VA Contributory Benefits, etc.)
- "Rollover" pensions

We urge you to keep these worksheets. Don't send them in with your application form. You may be asked to refer to them later to verify the information on your application. (It may also help you to show that your SAR is accurate.)

11

INFORMATION ON THE PRIVACY ACT AND USE OF YOUR SOCIAL SECURITY NUMBER

The Privacy Act of 1974 requires that each Federal agency that asks for your social security number or other information must tell you the following:

1. Its legal right to ask for the information and whether the law says you must give it.

2. What purpose the agency has in asking for it and how it will be used.

3. What could happen if you do not give it.

You must give your social security number (SSN) to apply for Federal student financial aid. The U.S. Department of Education's legal right under the Title IV programs to require that you provide us with your social security number is based on Sections 484(a)(4) of the Higher Education Act of 1965, as amended. The SSN is used under the Pell Grant, Supplemental Educational Opportunity Grant, and College Work-Study programs in recording information about your college attendance and progress, and in making sure that you have received your money. The SSN is also used under the Stafford Loan and Perkins Loan programs to identify the applicant to determine program eligibility and benefits and to permit servicing and collecting of the loans.

If you are applying for Federal student aid only, you must fill out everything except questions 29, 30, and 31. If you skip question 30 we will count your answer as "No" for both parts of that question. If you are applying for a Pell Grant only, you can skip question 5, 36 and 43.

The authority to request all other information (except the SSN) is based on sections 411A, 411B, 411C, 411D, 411F, 474, 475, 476, 477, 479, and 480 of the Higher Education Act of 1965, as amended. This information is used to determine the amount of Federal student aid for which you may be qualified.

The information which you supplied may be disclosed to third parties that the Department has authorized to assist in administering Federal student aid programs. This disclosure may include private firms that the Department contracts with for the purpose of collating, analyzing, totalling or refining records in the system and who are required to maintain safeguards under the Privacy Act. This may also be accomplished through computer matching programs such as the ones currently conducted with the Selective Service System and the Immigration and Naturalization Service.

We will provide your name, address, social security number, date of birth, student aid indices, student status, year in college, and State of legal residence to the college(s) that you list in question 29a, 29b, and 29c (or its representative), even if you check "No" in question 30b. This information will also go to the State agencies in your State of legal residence to help coordinate State financial aid programs with Federal student aid programs. We will provide calculations and determination of eligibility to the agency with which you filed a student aid application, or another similar agency, if you request us to do so. That agency may also release information received from the Department to colleges, State Scholarship agencies, and loan guarantee agencies that you have designated to receive information. Also, we may send information to members of Congress if you ask them to help you with Federal student aid questions. If your parents or your spouse provided information on the form they may also request to see all the information on the application.

If the Federal government, the Department, or an employee of the Department is involved in litigation, we may send information to the Department of Justice, or a court or adjudicative body, if the disclosure is related to financial aid and certain other conditions are met. The information may also be made available to Federal agencies which have the authority to subpoena other Federal agencies' records. In addition, we may send your information to a foreign, Federal, State, or local enforcement agency if the information that you submitted indicates a violation or potential violation of law, for which that agency has jurisdiction for investigation or prosecution. Finally, we may send information regarding a claim which is determined to be valid and overdue to a consumer reporting agency. This information includes identifiers from the record, the amount, status and history of the claim and the program under which the claims arose.

Remember, we must receive your application by May 1, 1992.

Senator PELL. I would ask the same question of Dr. Rosser as to the effect on the students career choices, college choices, and how much the complexity of the form discourages them from applying. I was struck with what Dr. Smith said about certain groups in the United States not wanting to borrow. I remember in New England we used to have a real prejudice against borrowing, and our whole economy is now built on a borrow, borrow, borrow system, and we are suffering for that at this very moment.

Dr. Rosser.

Mr. ROSSER. I think there is no question that the cost of education and the amount of loans one must take out is certainly discouraging to students, for example, who do want to go into teaching or into some job, which is absolutely critical to the future of society; but yet, as we talked about Michelle, $17,000 in loans, and her entering job salary is going to be $21,000. So that is a problem.

I think there is no question that the loan itself and the system we have to pay back this loan, in other words, a fixed number of payments at a fixed rate of interest, this is clearly discouraging many students and many people because they are just worried about whether or not they are going to be able to pay this off with their jobs, not only their first year, but their first 10 years.

We have got to find better ways to enable students to pay these loans off over a period of years, and according to the income they are making at a particular time.

Senator PELL. I'd ask the same question of Ms. Fuller.

Ms. FULLER. I have to agree with the other two gentlemen. I think that there is some reluctance on the part of families to borrow. In California we deal with quite a variety of students, and many families have never had the experience of borrowing before; this is the first time they have found themselves in debt.

The complicated financial aid forms—California also has a State grant program where students complete a State grant application for additional aid, and then if they are interested in applying for loans they are required to fill out additional loan applications.

The student is ultimately confused as to what they have as far as financial aid. I think probably in the last two to 3 years, we have gotten the point across of the distinction between this is a grant, this is work, and this is a loan. But we have a lot more work to do as far as having that family and that student understand what their responsibilities are to those aid programs.

The other problem that we run into in California particularly is the language issue. We have such a diverse population there. We find many families have a difficult time understanding the forms and understanding how to complete those applications.

Senator PELL. And what percentage of your students have English as their basic language?

Ms. FULLER. Probably the majority of them, but we have such a high minority population, over 40 percent, a large portion of Asian students, a large portion of Hispanic; that together is a problem with the families understanding.

Senator PELL. Thank you.

I will turn now to my ranking minority member, Senator Kassebaum.

Senator KASSEBAUM. My apologies, Mr. Chairman.

Chairman Seidman of the Federal Deposit Insurance Corporation is testifying before the Banking Committee, so I'm trying to juggle both of these hearings. My apologies, particularly to the witnesses on the first panel. I have no questions at this point, having missed the testimony, and will look forward to reading it.

Thank you very much.

Senator PELL. Thank you very much, Senator Kassebaum.

Senator Wellstone.

OPENING STATEMENT OF SENATOR WELLSTONE

Senator WELLSTONE. Thank you, Mr. Chairman.

I too apologize to the panel—and Mr. Chairman, if I am covering old ground, then please, panelists tell me, or you tell me.

I am trying to get used to all these committees meeting at the same time, and as someone who has been a teacher for all these years I feel like I'm cutting classes; I just feel guilty. I can't figure out how I can be at this class and that class when they meet at the same time.

I know that part of what we have been talking about and much of the attention in the country has been on the defaults that students suffer, and this whole question of emphasis on loans as opposed to grants. And from having spent a good bit of time, so to speak, out there with people through a campaign, I have just run into all sorts of personal stories that really make the statistics come home—the community college teachers who have said, "Our students are exhausted; they just can't do well." We hear about the students who sell their plasma to buy textbooks at the beginning of the term. We have run into a lot of students who have talked about that.

Teachers tell me that it is hard to offer classes too late in the afternoon because students are at one of the two minimum wage jobs they are working at.

So I guess what I would be interested in is whether or not we could focus a little bit on not so much the burden of paying back the loans, which is one burden, but whether you could describe for those of us on the committee here today some of the other ways in which this emphasis on loans as opposed to grants has really affected students as they try and learn. Could we get some sense of what you see at the institutions, if you follow the thrust of this question.

Mr. ROSSER. I think what you have is just an increasing frustration on the part of families and students when they see this gap between what they have available in terms of assets and what the schools cost. I think it is becoming an absolute nightmare for the American public, and I think in particular for the American middle class, which for years had hopes that they could send their kids to the college of their choice, but they increasingly see this is just very, very difficult to do.

We somehow have got to begin to understand that what we are doing in terms of student financial aid is an enormous investment in the future of this country, and stop treating it almost as if it is a handout to people, but begin to really understand that the more money we spend on education, the better off this country is going to be, without any doubt whatsoever.

We all know the payoff of the GI Bill, but yet we don't acknowledge it today in terms of how we think about student financial aid So somehow we have got to find better ways for people to do this And I still would argue that in the long run we are going to have to think about advancing students money and letting them pay this back over the 25-year period, for example, just as you do a mortgage in this day and age, and again subsidized to some degree by the Federal Government and with payments, which in turn are related to their ability to pay.

The nightmare is these kids graduating after 4 years with a $20,000-$30,000 loan, and then right off the bat, their first month out of college, they are facing a $300, $400, or $500 payment a month on that student loan, and meanwhile they can't deduct it from their income tax, which I think is a terrible injustice when you think that you can deduct your 65-foot Hatteras yacht, you can deduct your ski chalet in Vail, etc.

So we have got to think about a better way over the long run to really give people the amount of money they need and then in turn to let them pay back in a reasonable way that they can handle.

Senator WELLSTONE. Just to add to the question—I really appreciate the answer about the difficulty of paying back the loans, and the other thing I just want to get a feel for as a matter of, if you will, the public record is above and beyond that difficulty of paying back the loans, the effect that this has on the students while they are pursuing their education. I have a feeling that that story just has not gotten out to the people in this country like it should.

Mr. SMITH. To add to what Dr. Rosser said, Senator Pell made a comment about the beginning of Federal financial programs over a decade ago, when I think the investment philosophy that was mentioned was much more to the fore than it is right now, rather than the personal benefit philosophy. Both are still true. As the spread between the salary for college graduates and high school graduates has again begun to increase, people do see it as an investment for themselves. But I think nationally, it is an investment, and the question you asked, are we getting the most out of the investment not only in dollars but in time. I think the impact is multiple. One, I mentioned before you came in, some families are reluctant to borrow as a matter of culture; this is the first time they have done it. Many students have to work, and that work has a lot of effects, some of which are quite subtle. One is fatigue, obviously; that is up front. A second one is that they take courses, and maybe even majors, based upon when they can get those courses and still hold a job which pays enough. So keeping the job becomes a factor in course selection, and in fact not a macro major, necessarily, but the course selection. It also affects retention. And although there is no firm evidence, we hold to the conventional wisdom that 20 hours of work is about an effective limit, that if you go above that, then your retention is threatened.

One of the truisms that is very simple—it is perhaps an oversimplification—a student who is involved in college or university is more likely to stay than one who is not involved. To make that a little bit more complex, the extent to which the institution is central to the individual's life enhances the possibility that they will stay and successfully complete a degree. If they have to work so

much that work becomes the central point of their life rather than their education, it is a powerful pull away from their education.

So I think there are a number of effects—reluctance to enter college because of the complexity, because of the unwillingness to undertake loans; the fatigue, which minimizes their effectiveness in studying; the effect upon their course selection which then has to be fitted around their work; and the pull that it has.

I think one of the reasons in a metropolitan area why we see the length spent in college is stretching out is that so many students get close enough to their degrees so they have a major; they have a basic background in it; they have something to sell. They get an internship or a part-time job, and the income becomes important, so they stretch out their education and take five or 6 years because they are increasingly working, because by that point they do have an asset that they can market. And as they get above that minimum wage, they are more likely then to stretch out their education, and that makes them vulnerable to noncompletion.

So I think there are a whole series of effects.

Ms. FULLER. Senator Wellstone, as I mentioned earlier in my testimony, over 79 percent of our students work in part-time jobs while they are going to school. They work on average 24 hours a week. They usually take a 15-unit-per-quarter load in addition to the hours they're working and then their homework.

They are frantic. They are rushing from either their job to class, or home to study. Our program is designed so that if the student goes straight through the program, they can complete in 18 months. We offer an associate of arts degree.

The students, though, in most cases do have to take off a quarter or two and work full-time, and then resume their studies. So their course work is interrupted, and that is a problem for our students because the way we have developed our curriculum the classes, like in any other college, are based on preceding course work.

I would like to see also an enhanced program where families are rewarded for thinking ahead and saving, with major tax benefits for putting money away each year, like the IRA account but with an educational savings account, but really a very strong one with significant tax benefits.

Senator WELLSTONE. Mr. Chairman, I don't know if this has already been asked previously and answered, but was there any discussion of your judgment or your evaluation of the idea of forgiving debt for students who go into public interest type of work? If we have talked about this, I don't want to raise the question.

Senator PELL. It has not been talked about in this hearing.

Senator WELLSTONE. That's the only other question I have, and I would be very interested in your response.

Mr. ROSSER. I think this is an extremely important part of thinking through what we want to do in terms of financing higher education over the next 5 years. We really ought to be considering some kind of a national manpower policy which in turn would evaluate the critical needs in society—teaching in an inner city school, nursing in a hospital. You can all come up with a list of absolutely essential functions which we are just not—teaching in college, for example. Where is our next generation of faculty members going to come from?

We ought in turn then tie this to at least partial forgiveness of the loan, maybe full forgiveness of the loan. Another thing that we have talked about, of course, is giving some forgiveness to students who would serve in voluntary community action programs, a kind of civic virtue, if you will, which we ought to be putting at the very top of our priority list in terms of helping our young people.

So I would say let's talk about how we ought to be investing in this country and in particular how we ought to be investing in critical skills in critical areas.

Mr. SMITH. If I may add to that on behalf of ACE, who I am representing, there is strong interest in that. Now if I may make just a personal comment, having been in the business long enough I have seen those work. So it is not the creation of something which is unproven. In the past, the forgiveness of a loan or partial forgiveness has worked very effectively to meet specific manpower needs and to open up access to students, and I think that our situation has not changed so much from what it was 20-30 years ago that it would change our ability to effectively implement that as one technique of meeting manpower needs in critical areas.

Ms. FULLER. If I could add just one quick comment to that, our institutions are all located in central cities, and many of our students even volunteer while they are going to school. If there could be some sort of arrangement for that volunteer work—they work with Para los Ninos, the food banks in the various cities—there should be some reward for that.

Senator WELLSTONE. Thank you very much.

Senator PELL. We had in our teachers act in the last Congress a provision for forgiveness for those who went into teaching, and we lost that; but we have reintroduced it in this Congress. Also in the current Perkins Loan Program, there is some provision for forgiveness. So what we have to do is take this little crack in the door and open it up a lot more.

Senator WELLSTONE. Thank you, Mr. Chairman.

Senator PELL. Thank you very much indeed, Ms. Fuller, Dr. Rosser and Dr. Smith, for being with us.

We now welcome our second panel—Dr. John Henderson, president of Wilberforce University, Wilberforce, OH, and Mr. Bill Wyckoff, president of Labette State Bank in Altamont, KS.

I would add that Senator Metzenbaum is very regretful he could not be here to welcome Dr. Henderson himself, because he is tied up in the Judiciary Committee where they are marking up one of his own bills, so he has no choice.

Welcome, Dr. Henderson and Mr. Wyckoff.

Dr. Henderson, do you want to lead off?

STATEMENTS OF JOHN L. HENDERSON, PRESIDENT, WILBERFORCE UNIVERSITY, WILBERFORCE, OH, ON BEHALF OF UNITED NEGRO COLLEGE FUND, AND BILL WYCKOFF, PRESIDENT, LABETTE STATE BANK, ALTAMONT, KS, ON BEHALF OF AMERICAN ASSOCIATION OF COMMUNITY AND JUNIOR COLLEGES

Mr. HENDERSON. Thank you, Senator Pell.

Mr. Chairman, members of the Subcommittee on Education, Arts and Humanities, I am John Henderson, the president of Wilberforce University, Wilberforce, OH, arguably the Nation's oldest historically black college.

I am here today on behalf of my colleagues, the presidents and the students of member institutions of the United Negro College Fund, private, historically black, traditional and primarily liberal arts institutions of higher education.

I'd like to report to you that our member institutions are in a growth mode, with 31 of our 41 member institutions showing enrollment increases of 2 percent over fall 1989 and up 16 percent over the past 4 years. It includes students from 48 of the 50 States, about 1,500 students from 50 foreign countries, and 339 from U.S. Possessions.

Wilberforce University recently celebrated its 135th anniversary. We enroll 812 students, the highest enrollment we have had over the past 5 years. Our enrollment includes African American, white, foreign students. Thirty-five percent of our students were male and 65 percent female.

Among the students at Wilberforce University, approximately 85 percent receive Federal student assistance. Our students are very dependent on title IV aid. Similarly, you would find that an analysis of all UNCF students as a group would reflect that 91 percent of all students received some form of Federal aid in 1988-89, and most received several forms of loan, grant or work assistance.

This is due in large measures to the fact that our students come from families with incomes two-thirds lower than students at other private colleges. They don't just show need; they are indeed poor. A comparison of the data would illustrate my point.

The median estimated income of students attending private black colleges in the fall of 1989 was $31,666 as contrasted to $49,729 for students attending private nonsectarian colleges. In the fall of 1990, the comparison was $29,598 and $51,037.

Alarmingly, while college costs have risen faster than the rate of inflation over the last decade, it would appear that the family income gap is widening. This income gap is exacerbated in two ways that the United Negro College Fund hopes this committee will consider in the forthcoming reauthorization of the Higher Education Act.

First, over the most recent decade, the shift in the proportion of Federal student assistance provided in the form of loans as opposed to grants has shifted dramatically. That shift in the type of aid provided to needy, low-income students is depressing, especially to those of us whose institutions serve large number of low and middle-income students and who want to avoid placing them deeply in debt as they seek to acquire the means to better themselves and their families.

The shift from grants to loans which began in 1976 is disturbing. From 1970-71 to 1975-76, grant aid increased from 66 percent to 80 percent of all aid awarded while loan aid declined from 29 percent to 17 percent. In the mid-1970's, that trend reversed itself when the rise in grant aid peaked in 1976 and then began a precipitous decline to 48.9 percent in 1988, where it has remained fairly constant.

Loan aid now totals 49.7 percent of the total, and the remaining 2.6 percent is college work-study. The decline in available grant aid—8 percent of all UNCF students were GSL borrowers in 1979-80 compared to almost 50 percent as Stafford borrowers in 1987-88—has mirrored a major increase in student borrowing.

Second, UNCF believes that attempts by the Department of Education to re-target the Pell grant program on low-income students actually forces institutions like Wilberforce University and our sister UNCF colleges and universities to essentially rob Peter to pay Paul. Let me explain that.

Sixty-five percent of all UNCF students received Pell grant in 1988-89, accounting for 27,505 students with an average award of $1,645. One-third of all UNCF students receive SEOG awards, averaging $995. These two grant programs provided $58 million to UNCF students out of the $186 million in Federal student assistance received by UNCF students in 1988-89.

We believe a much more thoughtful proposal, but one that requires additional refinements, is the policy initiative advanced by Representative Bill Ford of Michigan, chairman of the House Education and Labor Committee and its Subcommittee on Postsecondary Education, and Senator Paul Simon of Illinois. While UNCF would strongly oppose a hard and fast rule that restricted grant aid to the first 2 years of baccalaureate study, with loans being used exclusively in the last 2 years, we do believe it would be advantageous and appropriate for our students to emphasize grant aid in the freshman and sophomore years and to reverse that emphasis in the latter 2 years of baccalaureate degree study.

The cost of paying now or paying later, given the historical shift of Federal student aid spending from grants to loans, from 80 percent grants and 20 percent loans in 1976, to 49 percent grants and a similar amount in loan aid in 1990, is easily seen within the UNCF family.

We support strongly the creation of a true Pell grant program entitlement as the only means for redressing the imbalance between loans and grant funds provided by Congress.

I would like to request, Mr. Chairman, that the analysis provided by UNCF of the Department of Education's fiscal year 1992 budget be included in the record right after my written testimony.

Senator PELL. Without objection.

Thank you very much, Dr. Henderson.

[The prepared statement of Mr. Henderson follows:]

PREPARED STATEMENT OF JOHN L. HENDERSON, PRESIDENT, WILBERFORCE UNIVERSITY ON BEHALF OF THE UNITED NEGRO COLLEGE FUND, INC.

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES, I AM JOHN HENDERSON, PRESIDENT OF WILBERFORCE, OHIO, A MEMBER INSTITUTION OF THE UNITED NEGRO COLLEGE FUND (UNCF). I APPEAR TODAY ON BEHALF OF MYSELF AND MY COLLEAGUES THE PRESIDENTS OF THE 41 MEMBER UNCF INSTITUTIONS, OUR ALMOST 50,000 STUDENTS WHO ATTEND OUR PRIVATE, HISTORICALLY BLACK, TRADITIONAL AND PRIMARILY LIBERAL ARTS INSTITUTIONS OF HIGHER EDUCATION.

UNCF MEMBER INSTITUTIONS ARE IN A GROWTH MODE, WITH 31 OF OUR 41 MEMBER INSTITUTIONS SHOWING ENROLLMENT INCREASES UP 2 PERCENT OVER FALL 1989 AND UP 16 PERCENT OVER THE PAST FOUR YEARS. OUR MEMBER COLLEGES ENROLLED 49,397 STUDENTS IN SEPTEMBER 1990, INCLUDING STUDENTS FROM 48 OF THE FIFTY STATES, AND 1,504 STUDENTS FROM 30 FOREIGN COUNTRIES AND 339 FROM U.S. POSSESSIONS.

TO GIVE YOU A CAPSULE VIEW OF WILBERFORCE UNIVERSITY, WE ENROLL 812 STUDENTS -- THE HIGHEST ENROLLMENT WE HAVE ATTAINED OVER THE PAST FIVE YEARS -- INCLUDING AFRICAN AMERICAN, WHITE AND FOREIGN STUDENTS, 35 PERCENT (272) WERE MALE AND 65 PERCENT (507) WERE FEMALE. AMONG OUR STUDENTS, 85 PERCENT RECEIVE FEDERAL STUDENT ASSISTANCE, BROKEN OUT AS FOLLOWS FOR THE 1988-89 ACADEMIC YEAR:

PROGRAM	No.ofAwards	AMOUNT	Avg.Award
PELL GRANTS	657	$1,068,070	$1,625
SEOG	625	$ 945,865	$1,513
CWS	732	$1,354,736	$1,851
STAFFORD LOANS	493	$1,508,848	$3,061
PERKINS LOANS	294	$ 484,189	$1,647

PARENT LOANS FOR UNDERGRADUATE STUDENTS (PLUS) AND SUPPLEMENTAL LOANS FOR STUDENTS (SLS) CONSTITUTE A RELATIVELY INSIGNIFICANT PORTION OF WILBERFORCE'S STUDENT FINANCIAL AID PACKAGING PORTFOLIO. ONLY 33 PARENTS OR INDEPENDENT STUDENTS BORROWED IN THE PLUS PROGRAM AND ONLY TWO (2) STUDENTS MADE SLS LOANS IN 1988-89.

AS YOU CAN TELL FROM EVEN A CURSORY EXAMINATION OF THE ABOVE DATA, WILBERFORCE STUDENTS ARE VERY DEPENDENT ON TITLE IV AID. SIMILARLY, AN ANALYSIS OF UNCF STUDENTS AS A GROUP WOULD REFLECT THAT 91 PERCENT OF ALL STUDENTS RECEIVED SOME FORM OF FEDERAL AID (IN 1988-89), AND MOST RECEIVE SEVERAL FORMS OF LOAN, GRANT OR WORK ASSISTANCE.

THIS IS DUE IN LARGE MEASURE TO THE FACT THAT OUR STUDENTS COME FROM FAMILIES WITH INCOMES TWO-THIRDS LOWER THAN STUDENTS AT OTHER PRIVATE COLLEGES. THEY DON'T JUST SHOW "NEED" RELATIVE TO THE COST OF EDUCATION -- THEY ARE POOR! A COMPARISON OF DATA FROM THE FALL 1989 AND 1990 COOPERATIVE INSTITUTIONAL RESEARCH PROGRAM (CIRP) ANNUAL FRESHMAN SURVEY IS REVEALING AND WILL ILLUSTRATE MY POINT AND THE BASIS FOR UNCF RECOMMENDATIONS ON THE LOAN - GRANT BALANCE QUESTION. THE MEDIAN ESTIMATED FAMILY INCOME OF STUDENTS ATTENDING PRIVATE BLACK COLLEGES IN THE FALL OF 1989 WAS $31,666 AS CONTRASTED TO $49,729 FOR STUDENTS ATTENDING PRIVATE NONSECTARIAN COLLEGES. IN THE FALL OF 1990, THE COMPARISON WAS $29,598 AND $51,037. ALARMINGLY, WHILE COLLEGE COSTS HAVE RISEN FASTER THAN THE RATE OF INFLATION OVER THE LAST DECADE, IT WOULD APPEAR THAT THE FAMILY INCOME GAP, AS KEVIN PHILLIPS HAS POINTED OUT IN THE POLITICS OF RICH AND POOR -- WEALTH AND THE AMERICAN ELECTORATE IN THE REAGAN AFTERMATH -- IS WIDENING! THE CHART BELOW, BASED ON THE 1989 AND 1990 FRESHMAN CIRP DATA IS ILLUSTRATIVE:

ESTIMATED PARENTAL INCOMES OF ENTERING FRESHMEN
AT PRIVATE HISTORICALLY BLACK COLLEGES AND
UNIVERSITIES AND AT PRIVATE NONSECTARIAN
COLLEGES AND UNIVERSITIES

	Fall 1989		Fall 1990	
	Private Black	Private Nonsect.	Private Black	Private Nonsect.
Estimated Parental Income Range (by percent)				
$100,000 and above	3.4	17.6	3.9	18.9
50,000 -- 99,999	20.9	32.1	18.6	32.2
35,000 -- 49,999	16.2	18.4	15.5	17.7
25,000 -- 34,999	17.5	13.5	17.9	12.7
15,000 -- 24,999	17.8	10.1	18.0	10.1
below $15,000	24.2	8.3	26.0	8.4

SOURCE: The American Freshman: National Norms for Fall 1989 and 1990, Alexander W. Astin, William S. Korn and Ellyne R. Berz, ACE/UCLA Cooperative Institutional Research Program, p.44.

THIS INCOME GAP IS EXACERBATED IN TWO WAYS THAT UNCF HOPES THIS COMMITTEE WILL CONSIDER IN THE FORTHCOMING REAUTHORIZATION OF THE HIGHER EDUCATION ACT.

FIRST, OVER THE MOST RECENT DECADE, THE SHIFT IN THE PROPORTION OF FEDERAL STUDENT ASSISTANCE PROVIDED IN THE FORM OF LOANS AS OPPOSED TO GRANTS SHIFTED DRAMATICALLY. THAT SHIFT IN THE TYPE OF AID PROVIDED TO NEEDY, LOW-INCOME STUDENTS IS DEPRESSING TO THOSE OF US WHOSE INSTITUTIONS SERVE LARGE NUMBERS OF LOW AND MIDDLE INCOME STUDENTS AND WHO WANT TO AVOID PLACING THEM DEEPLY IN DEBT AS SEEK TO ACQUIRE THE MEANS TO BETTER THEMSELVES AND THEIR FAMILIES. THE SHIFT FROM GRANTS TO LOANS, WHICH BEGAN IN 1976 IS DISTURBING. FROM 1970-71 TO 1975-76, GRANT AID INCREASED FROM 66 PERCENT TO 80 PERCENT OF ALL AID AWARDED, WHILE LOAN AID DECLINED FROM 29 PERCENT TO 17 PERCENT. IN THE MID-1970s THAT TREND REVERSED ITSELF, WHEN THE RISE IN GRANT AID PEAKED IN 1976 AND THEN BEGAN A PRECIPITOUS DECLINE TO 48.9 PERCENT IN 1988, WHERE IT HAS REMAINED FAIRLY CONSTANT. LOAN AID NOW TOTALS 49.7 PERCENT OF THE TOTAL AND THE REMAINING 2.6 PERCENT IS COLLEGE WORK STUDY. THE DECLINE IN AVAILABLE GRANT AID -- 8 PERCENT OF ALL UNCF STUDENTS WERE GSL BORROWERS IN 1979-80 COMPARED TO ALMOST 50 PERCENT ARE STAFFORD BORROWERS IN 1987-88 -- HAS MIRRORED A MAJOR INCREASE IN STUDENT BORROWING!

THE DRAMATIC EXPANSION OF STUDENT BORROWING PARALLELS THE INCREASED AVAILABILITY OF STUDENT LOANS, SPURRED IN PART BY THE MIDDLE INCOME STUDENT ASSISTANCE ACT OF 1978, THE 1976 AMENDMENTS TO THE HIGHER EDUCATION ACT INCREASING THE SPECIAL ALLOWANCE PAID TO LENDERS, AND THE GROWTH IN THE NUMBER OF STATE-BASED GUARANTORS PROVIDING GUARANTEES FOR STUDENT LOANS FOLLOWING THE DEMISE OF THE (FEDERALLY INSURED STUDENT LOAN (FISL) PROGRAM. SPIRALING COLLEGE COSTS COUPLED WITH INCREASED LOAN AVAILABILITY HAS CREATED A GENERATION OF COLLEGE STUDENTS/GRADUATES WHO ARE LITTLE MORE THAN INDENTURED SERVANTS! THE OUTSTANDING GSL LOAN VOLUME ROSE FROM $9.9 BILLION IN 1976 TO $21.3 BILLION IN 1980, THEN TO $67.6 BILLION IN 1986 AND EXCEEDED $80 BILLION IN 1988. WHILE I BELIEVE WE CANNOT MINIMIZE THE IMPORTANCE OF STUDENTS REPAYING THEIR LOANS, FAR TOO MUCH ATTENTION IS PAID TO 'LOAN DEFAULT RATES,' AND EXCESSIVE BLAME IS PLACED ON COLLEGES AND UNIVERSITIES THAT ARE SIMPLY TRYING TO EDUCATE STUDENTS, AND NOT ENOUGH TIME OR ATTENTION IS SPENT ADDRESSING THE FEDERAL POLICIES WHICH DRIVE THE UNFORTUNATE RESULTS OF RELYING ON LOANS INSTEAD OF GRANTS AS THE FOUNDATION OF A STUDENT'S FINANCIAL AID PACKAGE.

SECOND, UNCF BELIEVES THAT ATTEMPTS BY THE DEPARTMENT OF EDUCATION TO "RE-TARGET" THE PELL GRANT PROGRAM ON LOW INCOME STUDENTS ACTUALLY FORCES INSTITUTIONS LIKE WILBERFORCE UNIVERSITY AND OUR SISTER UNCF COLLEGES AND UNIVERSITIES TO "ROB PETER TO PAY PAUL." LET ME EXPLAIN.

SIXTY-FIVE PERCENT OF ALL UNCF STUDENTS RECEIVED PELL GRANTS IN 1988-89, ACCOUNTING FOR 27,505 STUDENTS WITH AN AVERAGE AWARD OF $1,645. ONE-THIRD OF ALL UNCF STUDENTS RECEIVE SEOG AWARDS, AVERAGING $995. THESE TWO GRANT PROGRAMS PROVIDED $58 MILLION TO UNCF STUDENTS OUT OF THE $186 MILLION IN FEDERAL STUDENT ASSISTANCE RECEIVED BY UNCF STUDENTS IN 1988-89.

IT IS INTERESTING TO NOTE THE INCOME DISTRIBUTION OF ALL PELL GRANT RECIPIENTS (SEE CHART BELOW) IN ASSESSING THE IMPACT OF THE PROPOSED BUSH ADMINISTRATION PLAN TO CREATE A SUPER PELL GRANT BY RE-TARGETING AID ON THE LOWEST INCOME RECIPIENTS AND THE IMPACT OF INCREASED BORROWING ON LOWER INCOME STUDENTS. SINCE DEFAULTS ARE HIGHEST AMONG "NON-PERSISTERS," GRANTS ARE A PREFERRED OPTION FOR LOWER INCOME, MORE ACADEMICALLY AT-RISK STUDENTS, ESPECIALLY IN THE FIRST TWO YEARS OF STUDY TOWARD THE BACCALAUREATE DEGREE.

Estimated Distribution of All Pell Grant Recipients
and Program Cost by Income for 1992-93

Adjusted Gross Income	Recipient Population	% of Total	Program Cost[1]	% of Total	Average Award
0 - $10,000	1,755,337	58	$3,846,348,584	67	$2,191
$10,001 - $15,000	356,388	12	775,351,012	13	2,176
$15,001 - $20,000	319,824	11	522,265,590	9	1,633
$20,001 - $25,000	235,079	8	279,316,618	5	1,188
$25,001 - $30,000	163,927	5	175,536,234	3	1,071
$30,001 +	186,847	6	161,215,947	3	863
Total	3,017,401	100	5,760,033,986	100	1,909

YET, A CASUAL REVIEW OF THE RECENT EXPERIENCE OF UNCF STUDENTS, ESPECIALLY WHEN COUPLED WITH THE FY 1992 BUDGET PROPOSALS TO RESTRICT GRANTS TO POOR STUDENTS AND INCREASE THE AVAILABILITY OF LOANS, DEMONSTRATES THAT CURRENT LOAN DEFAULT TRENDS ARE LIKELY TO BE EXACERBATED. ALTHOUGH ABOUT TWO-THIRDS OF ALL UNDERGRADUATE STUDENTS RECEIVED PELL GRANTS AT UNCF MEMBER COLLEGES DURING 1988-89, THE AMOUNT OF AID DERIVED FROM THIS SOURCE ACCOUNTED FOR ONLY 25 PERCENT OF ALL STUDENT FINANCIAL AID. IN CONTRAST, VARIOUS LOAN PROGRAMS ACCOUNTED FOR NEARLY 40 PERCENT OF STUDENT AID DOLLARS IN 1988-89. THREE-QUARTERS OF THESE LOAN DOLLARS CAME FROM THE STAFFORD LOAN PROGRAM.

SOURCE: Pell Grant Section of the Department of Education FY 1992 Justification of Appropriations for the Committees on Appropriations, Higher Education, Volume II (February 1991), p.L-28.

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[1]/ Total program costs reflects program funds paid directly to students and excludes administrative costs allowances paid to the institutions at a rate of $5 per recipient, which in 1992-93 are estimated to total $15,087,000.

THE POTENTIAL NEGATIVE IMPACT OF THE FY 1992 BUDGET PELL GRANT PROPOSAL IS BEST UNDERSTOOD BY COMPARING THE MEDIAN ESTIMATED FAMILY INCOME OF STUDENTS ATTENDING ALL BLACK PRIVATE COLLEGES IN THE FALL OF 1989 AND 1990 TO THOSE OF OTHER PRIVATE NON-SECTARIAN COLLEGES. IN THE FALL OF 1989, AS THE CHART ON PAGE 2 MAKES CLEAR, THE MEDIAN ESTIMATED FAMILY INCOME OF FRESHMAN STUDENTS ATTENDING PRIVATE BLACK COLLEGES WAS $31,466 COMPARED TO $49,729 FOR STUDENTS ATTENDING PRIVATE NONSECTARIAN COLLEGES, WHILE IN THE FALL OF 1990, THE COMPARISON WAS $29,598 TO $51,037. VIEWED FROM A UNCF PERSPECTIVE, THE ADMINISTRATION'S BUDGET PROPOSAL EXACERBATES, RATHER THAN ADDRESSES THE LOAN GRANT IMBALANCE SITUATION BECAUSE IT TAKES MONEY AWAY FROM THE "NEAR POOR" TO GIVE IT TO THE "VERY POOR." THIS WILL UNDOUBTEDLY FORCE THOSE STUDENTS FROM $10-$25,000 FAMILIES TO BORROW TO MAKE UP FOR DIMINISHED PELL GRANT FUNDS. WHILE WE WOULD WELCOME THE $3,700 PELL MAXIMUM -- A LONG OVERDUE INCREASE TO ADDRESS THE EROSION IN THE PURCHASING POWER OF THE PELL GRANT SINCE 1980 -- THE PROPOSED SHIFT IN EMPHASIS WILL DO SIGNIFICANT DAMAGE TO THE HIGHER EDUCATION ASPIRATIONS OF UNCF STUDENTS FROM FAMILIES WITH INCOMES IN THE $15-$25,000 RANGE.

WE BELIEVE A MUCH MORE THOUGHTFUL PROPOSAL, BUT ONE THAT REQUIRES ADDITIONAL REFINEMENTS, IS THE POLICY INITIATIVE ADVANCED BY REPRESENTATIVE BILL FORD OF MICHIGAN, CHAIRMAN OF THE HOUSE EDUCATION AND LABOR COMMITTEE AND ITS SUBCOMMITTEE ON POSTSECONDARY EDUCATION, AND SENATOR PAUL SIMON OF ILLINOIS. WHILE UNCF WOULD STRONGLY OPPOSE A HARD AND FAST RULE THAT RESTRICTED GRANT AID TO THE FIRST TWO YEARS OF BACCALAUREATE STUDY, WITH LOANS BEING USED EXCLUSIVELY IN THE LAST TWO YEARS -- WE DO BELIEVE IT WOULD BE ADVANTAGEOUS AND APPROPRIATE FOR OUR STUDENTS TO EMPHASIZE GRANT AID IN THE FRESHMAN AND SOPHOMORE YEARS, AND TO REVERSE THAT EMPHASIS IN THE LATTER TWO YEARS OF BACCALAUREATE DEGREE STUDY.

THIS APPROACH, WE BELIEVE ENCOURAGES COLLEGE ACCESS AND SUCCESS; REDUCES OR ELIMINATES THE NEED FOR ACADEMICALLY "AT-RISK" STUDENTS TO O BORROW UNTIL THEY HAVE DEMONSTRATED THEIR ACADEMIC POTENTIAL; AND COULD SIGNIFICANTLY REDUCE THE OVERALL INDEBTEDNESS OF LOWER INCOME STUDENTS.

THE COST OF 'PAYING NOW OR PAYING LATER,' GIVEN THE HISTORICAL SHIFT OF FEDERAL STUDENT AID SPENDING FROM GRANTS TO LOANS -- FROM 80 GRANTS (AND 20 PERCENT LOANS) IN 1976 TO 49 PERCENT GRANTS (AND A SIMILAR AMOUNT IN LOAN AID) IN 1990 -- IS EASILY SEEN WITHIN THE UNCF FAMILY. THE STAFFORD LOAN (FORMERLY GUARANTEED STUDENT LOANS) IS NOW THE LARGEST SINGLE SOURCE OF SUPPORT FOR UNCF STUDENTS, PROVIDING SOME $51 MILLION OR 30 PERCENT OF ALL AID AWARDED IN 1988-89 ACCORDING TO UNCF'S 1990 STATISTICAL REPORT.

THE AVERAGE LOAN AMOUNT WAS $2,367 FOR EACH UNCF STUDENT BORROWER AND SLIGHTLY MORE THAN ONE-HALF OF ALL UNCF STUDENTS DID BORROW! PROJECTED OVER A FOUR-YEAR ACADEMIC CAREER, THE TOTAL INDEBTEDNESS WOULD EQUAL ALMOST $10,000.__/ FOR THOSE STUDENTS WHO DO NOT COMPLETE COLLEGE, AND MANY DROP OUT AFTER ONLY ONE-YEAR OR ARE DETERMINED TO BE ACADEMICALLY INELIGIBLE AFTER TWO YEARS -- THE FINANCIAL BURDEN OF REPAYMENT, WITHOUT THE BENEFIT OF A COLLEGE DEGREE OR OTHER CREDENTIAL IS OVERWHELMING. HBCU GRADUATES EARN 86 PERCENT MORE THAN AFRICAN AMERICANS WITHOUT A COLLEGE DEGREE!

UNCF STRONGLY SUPPORTS THE CREATION OF A TRUE PELL GRANT ENTITLEMENT AS THE ONLY MEANS FOR REDRESSING THE IMBALANCE BETWEEN LOAN AND GRANTS FUNDS PROVIDED BY THE CONGRESS TO ELIMINATE THE BARRIER TO HIGHER EDUCATION ERECTED BY THE RISING COST OF A COLLEGE EDUCATION AND LIMITED FAMILY FINANCIAL INCOME.

THERE IS NO MORE IMPORTANT ISSUE FACING THIS SUBCOMMITTEE AND THE 102ND CONGRESS THAN WHETHER OR NOT IT WILL, IN FACT, LIVE UP TO ITS TWENTY-FIVE YEAR OLD PLEDGE " Every child must be encouraged to get as much education as he has the ability to take....We want this not only for his sake -- but for the nation;s sake. Nothing matters more to the future of our country: not military preparedness - for armed might is worthless if we lack the brainpower to build a world of peace; not our productive economy - for we cannot sustain growth without trained manpower; not our democratic system of government - for freedom is fragile if citizens are ignorant."__/

I WOULD LIKE TO REQUEST THAT UNCF'S ANALYSIS OF THE DEPARTMENT OF EDUCATION'S FY 1992 BUDGET BE INCLUDED IN THE RECORD RIGHT AFTER MY WRITTEN TESTIMONY. IT EXPLAINS AND ELABORATES ON MANY OF THE POINTS I HAVE MADE HERE THIS MORNING, AS WELL AS INDICATING OUR VIEWS ON SOME OF THE ADMINISTRATION'S HIGHER EDUCATION ACT REAUTHORIZATION RECOMMENDATIONS, AND IT MAY BE OF SOME ASSISTANCE TO THE COMMITTEE.

THAT CONCLUDES MY FORMAL TESTIMONY. I WOULD BE PLEASED TO ANSWER ANY QUESTIONS YOU MAY HAVE.

__/ 1990 STATISTICAL REPORT, HUGH R. FORDYCE AND ALAN R. KIRSCHNER, UNITED NEGRO COLLEGE FUND, INC. (JANUARY 1991) p. 13.

__/ SPECIAL MESSAGE TO CONGRESS: "TOWARD FULL EDUCATIONAL OPPORTUNITY," January 12, 1965, PUBLIC PAPERS OF THE PRESIDENTS, Lyndon B. Johnson, BOOK I, p. 28.

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Senator PELL. Mr. Wyckoff.

Mr. WYCKOFF. Mr. Chairman, I am Bill Wyckoff, a bank president by occupation, and I serve as an elected trustee on the board of Labette Community College in Parsons, KS. I serve on the AACJC-ACCT Joint Commission on Federal Relations, which has produced a position statement on the Higher Education Act, and we offer that for the record.

It has been 20 years, Mr. Chairman, since you spearheaded the enactment of the then Basic Educational Opportunity Grants. Community colleges are glad to have been among your earliest supporters in the grant program, glad that it now bears your name, and grateful most of all for the Pell grant's resounding success. We believe the combination of Pell grants and community colleges has done more for the advancement of the goal of universalizing educational opportunity in American than anything else this century. Thanks to this combination, the college opportunity has become an integral part of the American dream. Yet much remains to be done.

Millions of Americans living in poverty must be afforded every reasonable opportunity to obtain a quality education. Critical to accomplishing this goal is a substantial increase in and restructuring of the Pell grant.

My college, Labette Community College, is located in the extreme southeast corner of Kansas. It is an area that has been officially classified as economically disadvantaged by the U.S. Department of Commerce since 1973. Southeast Kansas is and has historically had one of the highest unemployment rates and percentages of the population receiving public assistance, including Aid for Dependent Children.

In an attempt to read the most people in need of education, our colleges has targeted the nontraditional student. The college has focused its recruiting efforts upon older students, single heads of households, the working poor, and has a special program to reach dislocated workers, most of which are unskilled males.

To reach these groups, extensive night and evening programs have been developed. The median age of these students is 46.

For a dislocated worker, incurring additional debt during a time of unemployment and financial crisis was just simply unacceptable. These are responsible people who have spent their lives working and paying their own bills. Federal student aid is very important to our community. Sixty-five percent of our students receive scholarship or aid assistance.

It is for these reasons that our college, along with the AACJC and ACCT, believe that the Pell grant should be an entitlement along with a cost base sufficient to reverse the neediest students' growing dependence on loans to meet college expenses.

We advocate that it be called the "United States Pell grant" so that there is no confusion as to the source of the funds.

It is extremely unfortunate that the high cost of student loan defaults has weakened public confidence in title IV investment in human resource development. Paper work and other excessive requirements have become another grave cloud on title IV.

The delivery of student aid is much too complicated for both the students and the institutional participants. An application form

that would be one side of one page would literally do wonders in reaching a more universal education for underserved students and families.

Certainly, community colleges share your deep concern over the growing grant-loan imbalance. I relate easily from personal experience. My bank pulled out of the Guaranteed Student Loan several years ago, largely because of the mounting costs of reporting requirements. Our bank officers continue to frequently visit with students and parents who inquire of us about college loans. The bank also engages in an active outreach program with area high schools where we inform the students and their parents and counsel them on financing their educational costs. Our advice to students and parents, based on our experience with educational loans, usually comes down to this: Do not assume an educational loan unless the proposed course of study holds a high promise of a substantial increase in earning power.

As a Kansas banker, I feel strongly that it is poor public and poor moral policy to push loans on poor people. Our association joins the larger higher education community in urging a $4,000 maximum grant, with $2,500 base living allowance. Our goal is to make it possible for the neediest students to complete at least 1 year of school before they have to resort to loans. In other words, the student should have a chance to discover, regardless of his or her ability to repay, whether college works for them, and to do that before they have to go in debt to learn the experience.

In closing, Mr. Chairman, we reemphasize the hope that the reauthorization will provide a substantial increase in the Pell grant and a simplification of the entire student aid delivery process.

Thank you for this opportunity to testify.

[The prepared statement of Mr. Wyckoff (with attachments) follows:]

Prepared Statement of Mr. Wyckoff

Mr. Chairman, I am Bill Wyckoff, a bank president by occupation who serves as an elected trustee on the Board of Labette Community College in Parsons, KS. I am testifying in behalf of the Association of Community College Trustees and the American Association of Community and Junior Colleges. I serve on the AACJC-ACCT Joint Commission on Federal Relations, which has produced the accompanying Position Statement on the Higher Education Act. We are pleased to share it with your members and offer it for the record.

Thank you for asking us to testify on title IV and the particular problem of how students finance college.

It has been 20 years, Mr. Chairman, since you spearheaded the enactment of the then Basic Educational Opportunity Grants. Community colleges are glad to have been your earliest supporters of the grant program, glad that it now bears your name, and grateful most of all for the Pell grant's resounding success. Throughout those years the community colleges have shared your dream of universalizing educational opportunity through the 14th year of school for all Americans regardless of ability to pay. We believe the combination of Pell grants and community colleges has done more to advance that goal than any other phenomenon of this century. Thanks to this combination, college opportunity has become an integral part of the American dream. Yet much remains to be done.

Because a number of different methods are currently being used to define both income and poverty, it is becoming progressively more difficult to determine the actual number of Americans who are living in poverty. As a result, it is difficult to perform longitudinal studies to determine poverty trends through time. However, using even the most conservative methods which include non-cash benefits such as food stamps, school lunches, public housing and Medicaid as income, it can be said

with a great degree of certainty that the level of poverty in the United States is at an unacceptably high level. Based upon information provided by the Bureau of Census, in 1988 a minimum of 32 million Americans were living at or below the poverty level. If the working poor are considered, and the poverty level is determined by after-tax income the number of Americans living at or below the poverty level jumps to 50,554,000, over 21 percent of the total population.

Today's poverty threshold for a family of four is about $13,600. It is almost impossible to imagine feeding, clothing and providing shelter for four people on such a small amount of money, but one out of five Americans lives with that reality every day.

Although poverty in America is widespread, touching almost every identifiable segment, it does fall with unequal severity on the shoulders of certain demographic groups, for example, women, children, and older Americans. One of the most striking characteristics of modern poverty is its disparate impact upon women. It has been said that the United States is experiencing the "feminization of poverty," and I wholeheartedly agree with this conclusion It is supported by painfully obvious facts. For example, one out of three female-headed families, as compared to one out of 18 male-headed families, exist in poverty. This fact combined with our nation's high divorce rate is a major contributing factor to the unacceptably large number of American children who live in poverty. One need only review census data to learn that the declines in poverty since 1967 have been almost wholly within male-headed families.

If these totally unacceptable conditions are to be corrected, the millions of Americans living in poverty must be afforded every reasonable opportunity to obtain a quality education. Critical to accomplishing this goal is a substantial increase in and restructuring of the Pell grant. There is no weapon more effective in reducing poverty than education. The positive correlation between education and increased income is obvious and striking. In March 1988 the mean income for a family headed by a person with less than eight years of formal education was $15,579. That figure compares to $34,677 if the head of the family had completed one to three years of college and $50,879 if the head of the family had completed four years of college.

Education is obviously an effective antidote to poverty, and community colleges are effectively reaching out to those groups who are most in need of help. Labette Community College, where I serve as a member of the Board of Trustees, is a prime example. Labette Community College is located in the extreme southeast corner of Kansas, an area that has been officially classified as economically disadvantaged by the United States Department of Commerce since 1973. Southeast Kansas has historically had one of the highest unemployment rates and percentages of the population receiving public assistance, including Aid for Dependent Children, in the State. Labette Community College is painfully aware of the depressed nature of the region, and has been a leader in improving the quality of life within its service area.

The college is specifically sensitive to the economic plight of the female segment of this population and has responded. With the assistance of local citizens, Labette Community College has established a Women's Resource Center and is providing a number of special services, such as Sex Equity and Displaced Homemakers Programs. In addition, the college has made every effort to design a curriculum and supportive services that are specifically designed to meet the special needs of women. A major outreach effort has been undertaken and has paid handsome dividends. In 1990, fully 70 percent of the student body at Labette Community College was female.

The health science field represents one of the major employment growth areas for the foreseeable future. One need only look at the classified section of any major newspaper to be struck by the large number of advertisements for nurses and other allied health professionals. Labette Community College has done an outstanding job of recruiting and training economically disadvantaged females into the high-paying and high-demand profession of nursing. At the college's main campus in Parsons, 41 of 45 students enrolled in the Nursing Education Program are women. A profile of the average Labette Community College Nursing student is most informative. She is a 32-year-old single mother of two who is receiving financial assistance. In addition almost one-third of these women have earned a GED. The significant point is not that Labette Community College is enrolling disadvantaged, single, female heads of households into its Nursing Education Program but that over the past 23 years fully 98 percent have graduated and passed the state licensing examination to become registered nurses. In our immediate service area a registered nurse will receive between $12 and $15 per hour.

In an attempt to reach those most in need of education, Labette Community College has also targeted the non-traditional student. In addition to women the college

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has focused its recruiting efforts upon older students and the working poor. To reach these groups, extensive night and evening programs have been developed. Again, the results have been impressive. The average age of part-time evening and extension students is 45.6 and 47 years respectively.

As gratifying as these results are, Labette Community College has confronted a truly ironic problem. Specifically, those individuals who would benefit most from the educational and support services provided by the college are those who can least afford them and who are, in turn, most difficult to recruit. This phenomenon is well illustrated by the actions of actual and potential participants in a dislocated worker program which was administered by Labette Community College. Contributing to the economic woes of Southeast Kansas and to the plight of its citizens has been a number of layoffs within the area. In response, Labette Community College organized an area task force made up of local business persons, civic and religious leaders, educators, locally elected officials, area residents and affected workers in an attempt to address the area's increasing rate of unemployment. The result was the establishment, with the assistance of the United States Department of Labor, of a Displaced Worker Program that was specifically designed to retrain and place in full time unsubsidized employment unemployed area transportation and defense workers.

The majority of the affected workers were unskilled middle-aged males. Although there were some spectacular successes, the overall results were disappointing. As soon as the program became operational, a number of factors became obvious. The potential participants were frightened and were lacking in self-confidence. It had been 20, 30, and even 40 years since many of them had been in school. They had families to feed and house payments to make. These were proud people who had worked all their lives and who had always paid their own way, but were now without a job and without prospects for finding one. Although the program could pay for books and tuition, the unemployed workers were expected to fully support themselves while they were in a retraining program.

This fact combined with their natural fears and self-doubt made them extremely difficult to recruit and enroll in training programs that would provide them with the necessary skills to obtain work and to identify occupations that were in current and future demand. Not only did a large number of eligible workers completely refuse to participate, it was difficult to retain many of those who did participate. In their view, they simply could not afford to go to school. So they looked for work. Many of them searched without success, many others accepted jobs at less than subsistence wages. The result was a significant increase of the chronically unemployed and working poor. All this was happening while high-paying jobs for which the dislocated workers could have been trained were going unfilled.

In this instance the availability of an educational entitlement grant would have made a critical difference. Incurring additional debt during a time of unemployment and financial crisis was simply unacceptable to responsible people who had spent their lives working and paying their own bills. The attached tables show graphically just how important the Federal student aid is to our community; 65 percent of our students draw scholarship or aid assistance.

It is for these reasons that Labette Community College, along with AACJC and ACCT, believe that the key to reaching our goal is to make the Pell grant an entitlement, with a cost base sufficient to reverse the neediest students' growing dependence on loans to meet college expenses. We advocate that it be called the United States Pell grant, so that no student will be confused about its source.

Pell grants are not getting the recognition they deserve for advancing American competitiveness. Few people recognize the major contribution the Federal Government makes to improving our national competitiveness through Pell grants, the Montgomery GI Bill, and employee educational assistance. Their importance will continue to grow, because economists tell us that in the most advanced economies, human capital accounts for 75 percent or more of the productivity. This, incidentally, is why it is so important to extend employee educational assistance (tax code section 127) as permanent law. Section 127 excludes employer-paid tuition from employees' taxable income. The $75 billion that Defense and other Federal agencies are investing annually in research and development will never bear full fruit unless the investment in human resource development substantially increases. Also, section 127 is a most economical approach because it leverages private and individual initiative.

It is extremely unfortunate that the high cost of student loan defaults has weakened public confidence in title IV investments in human resource development. Paperwork and excessive reporting requirements have become another grave cloud over title IV.

Delivery of student aid is much too complicated for both students and institutional participants. An application form reduced to one side of one page would literally work wonders in equalizing opportunity for most underserved students and families.

Certainly, community colleges share your deep concern over the growing grant-loan imbalance. And, I relate to it easily from personal experience. Our bank pulled out of the Guaranteed Student Loan program several years ago largely because of the mounting cost of the reporting requirements. A few community colleges have now left the program for the same reason, and this trend could grow unless the reauthorization streamlines such requirements.

Our bank officers continue to visit frequently with students and parents who inquire about college loans. Also, the bank engages in an active outreach program to area high schools to inform them of the banking process and counsel on financing educational costs and opportunities. Our advice to students and parents based on our experience with loan repayment patterns, usually comes down to this: do not assume an educational loan unless the proposed course of study holds a high promise of substantially increased earning power. As a banker, I feel strongly that it is poor public and poor moral policy to push loans on to poor people.

Across the nation, community colleges are giving much the same advice. Our financial aid officers generally do their best to persuade at-risk students to seek only grants and work-study assistance. Our institutions have been unjustly served by the Education Department's reports that accentuate default percentages alone. Among the major sectors of postsecondary education, community colleges are the smallest source of defaults in dollar terms.

Putting it another way, Mr. Chairman, loans to at-risk students simply put them at greater risk in most cases. For example, we recently had a case in which a thirty-eight-year old mother of four had enrolled in our nursing program. During the enrollment process She made application for a Federal grant only to learn that she was ineligible, even though she was below the poverty guidelines, because she had inherited a small family farm that allowed subsistence farming. She was forced to pursue an educational loan and incurred a substantial debt, which she will have a long struggle repaying.

For the economically and educationally disadvantaged, educational opportunity and productivity are inextricably linked, and both will continue to shrink unless the Pell grant is increased substantially. Our Associations join the larger higher education community in urging a $4,000 maximum grant, with a $2,500 base living allowance, for the start-up year of the reauthorization. As emphasized in our Position Statement, our goal is to make it possible for needy students to complete at least one year of college without resorting to loans; in other words, students should have a chance to discover, regardless of ability to pay, whether college works for them before going into debt for this experience.

If the cost base, before any deduction for expected family contribution (EFC), becomes $2,500, few if any needy students in community colleges will have to have loans to complete their programs. Such a formula is bound also to lead to improvements in loan default rates, certainly so among community colleges.

Mr. Chairman, we cannot thank you and your staff enough for helping the Education Department to see the "light" on loan tracking, and to switch to the practice of keeping each loan identified with the college that makes it. This alone will lower the default rate for many community colleges. The old Departmental practice of posting the loan against the last college attended was prejudicial to community colleges because the typical community college gets many reverse transfers with bad loans, while its good loan risk students often transfer to four-year schools with their positive financial record.

In closing, Mr. Chairman, we reemphazise the hope that the reauthorization will provide a substantial breakthrough in reducing reporting requirements and streamlining program delivery. Again as a businessman, I believe a paperwork impact study should be required of the government itself in every major act. The last Congress put three more massive paperwork burdens on colleges in the student-right.to.know, campus crime, and ability-to-benefit testing requirements, leaving cost-squeezed campuses to wonder how they will cover these reporting and testing expenses. We do not want to see the great opportunities that title IV programs provide sunk by their own paperwork overload.

In addition to Pell entitlement and program simplification, ACCT and AACJC give top priority to a reauthorization initiative that would push higher education into much broader partnerships with the employer community. Titles I, VIII, and XI could all be folded into this effort. Our aim is to expand higher education's interface with the state-of-the-art technology and know how available in industry, build up the undergraduate "pipeline" needed to encourage more young Americans to

pursue science, teaching, and public-service careers, and brighten the nation's chances of achieving a globally competitive workforce for the 21st Century. Without such a workforce, America has little hope of again becoming a creditor nation.

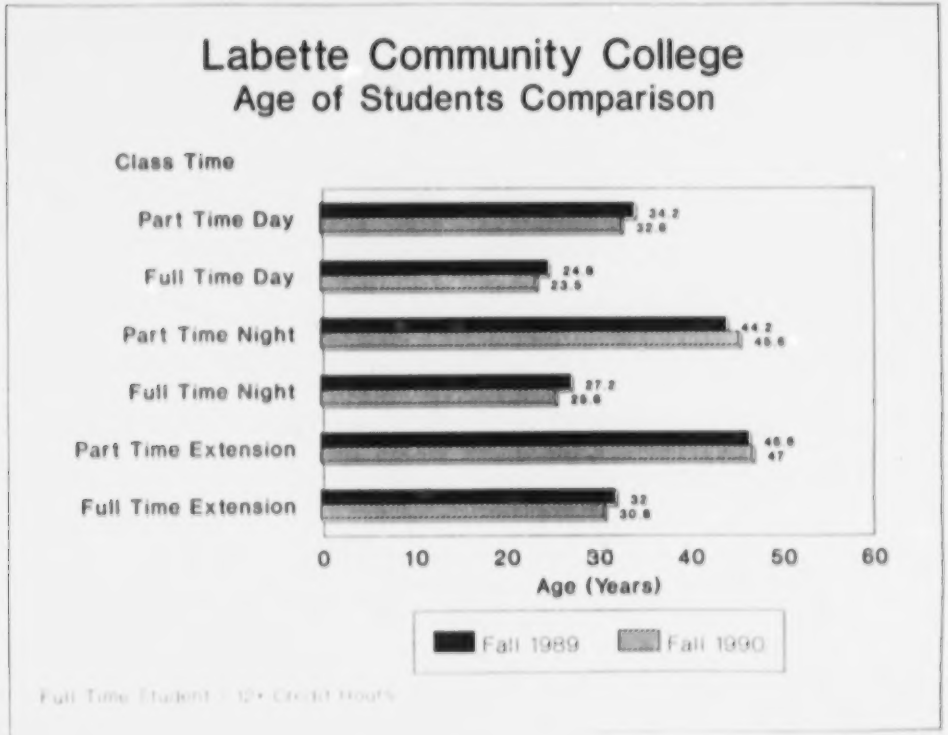
Thank you again for this opportunity to testify.

LABETTE COMMUNITY COLLEGE
PARSONS, KANSAS
FINANCIAL AID REPORT 1989-90

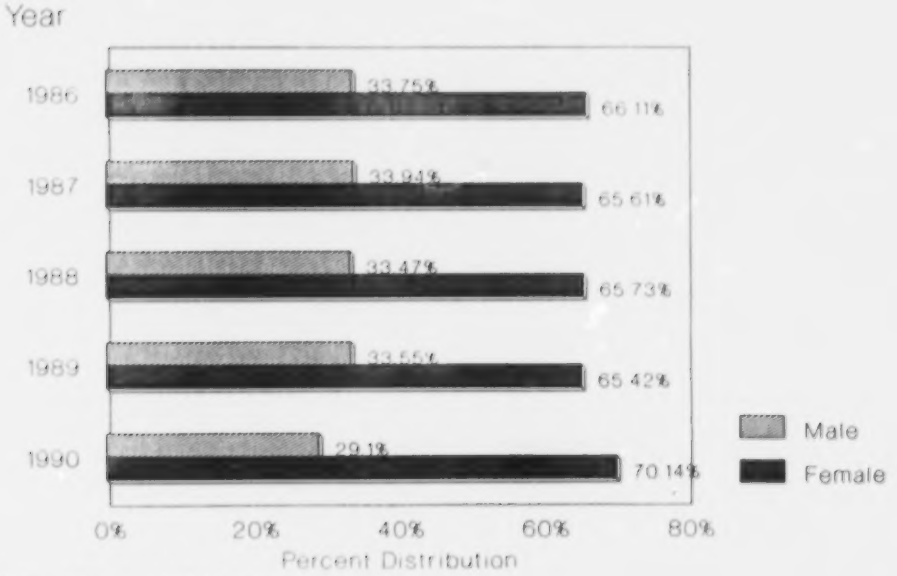
This chart reflects the pattern of distrubition of financial aid in FY 90.

	Number Given	Amount	TOTALS
FEDERAL MONIES:			
Pell Grant	424	$477,140	
College Work Study	40	$15,516	
Supplemental Education Grant	6	$2,471	
Stafford Loans	108	$191,529	
Supplemental Loans	17	$37,145	$723,801
INSTITUTIONAL MONIES:			
College Work Study Matching		$6,076	
Institutional Student Employment	37	$20,225	
Scholarships:			
Out-of-county	749	$100,810	
In-county	628	$150,153	
Athletic	143	$95,934	
Employees:			
Full-time	159	$18,275	
Part-time	106	$6,205	
Sr. Citizens			
Out-of-County	272	$33,724	
In-County	4027	$92,064	
Carl Perkins	35	$5,284	
			$528,750
NON-INSTITUTIONAL MONIES:			
Foundation Scholarships	43	$16,479	
Civic Scholarships	30	$10,477	
Veterans Educational Benefits	28	$44,994	$71,950
TOTAL ASSISTANCE DISBURSED			$1,324,501
Total receiving assistance (unduplicated)	5623*		

*During this period 8,600 students were served by the college. Sixty-five percent of all students served received some form of financial assistance.


Labette Community College
Age of Students Comparison
Class Time
Part Time Day
Full Time Day
Part Time Night
Full Time Night
Part Time Extension
Full Time Extension
24.2
32.6
24.6
23.5
44.2
45.6
27.2
28.6
46.6
47
32
30.6
0
10
20
30
40
50
60
Age (Years)
Fall 1989
Fall 1990
Full Time Student = 12+ Credit Hours

Labette Community College
Gender Demographics - Fall Semesters



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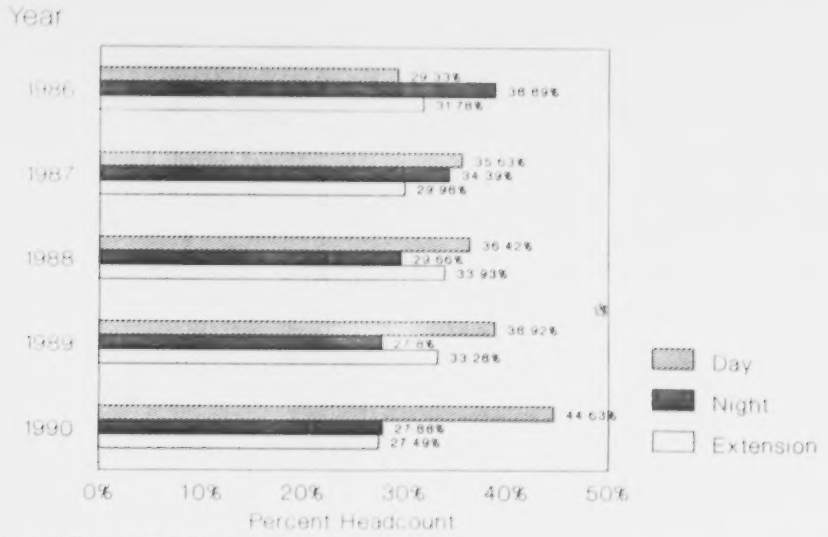
Labette Community College
Enrollment Demographics - Fall



Office of Research & Planning

TOWARD HUMAN RESOURCE DEVELOPMENT
Position Statement on the Reauthorization
of the Higher Education Act by
the American Association of Community and Junior Colleges (AACJC)
and the Association of Community College Trustees (ACCT)

Introduction

American education is faced with a challenge of unprecedented severity and urgency. The challenge is part demographic change, part global competition, part accelerating technological change, part worker and adult literacy, part outmoded educational practices and standards -- problems exacerbated by the absence of a national strategy to address the challenge.

More and more policy-makers of both the private and public sectors are reaching one consensus: the United States must build a world-class workforce to sustain its leadership in science and industry and to renew the American Dream. The workforce that meets America's needs will seek both civic and marketable skills through lifelong learning.

The Association of Community College Trustees and the American Association of Community and Junior Colleges have long encouraged such a consensus. The National Governors Association (NGA) summed up the challenge in its 1990 report, "Excellence at Work," which finds:

> Increasing the competitiveness of the American workplace is a matter of national economic survival. . . . All workers must dedicate themselves to increasing their skills and education while assuming greater responsibility for the quality of their work and the overall productivity of the firms in which they work. . . .
>
> Higher order learning skills and state-of-the-art occupational skills will be the hallmark of the American workforce in the coming decades . . .
>
> Accelerating demands for new and advanced skills necessary for the competitive global economy will require access to relevant skill upgrading for all workers throughout their careers. . . .

The urgency is underscored by the widely acclaimed report, "America's Choice: High Skills or Low Wages," in which the Commission on the Skills of the American Workforce concludes:

> The key to maintaining, to say nothing of improving, our standard of living is productivity growth -- more products and services from every member of the workforce.
>
> But, during the past two decades, our productivity growth has slowed to a crawl. It now takes nearly three years to achieve the same productivity improvement we used to achieve in one year.
>
> If productivity continues to falter, we can expect one of two futures. Either the top 30 percent of our population will grow wealthier while the bottom 70 percent becomes progressively poorer or we all slide into relative poverty together.

In the view of the Association of Community College Trustees and the American Association of Community and Junior Colleges, a national strategy for human resource development is urgently needed to meet the challenge.

Clearly, global competition and demographics are pushing the challenge into a tight timeframe; according to an American Council on Education analysis, the strong growth of the Hispanic population is continuing into the 1990s while the relative percentage of its youth completing high school is still declining.

Higher education bears a large responsibility for helping build such a strategy. It must recognize that today's traditional student is the working adult, and must program itself accordingly.

Community, technical, and junior colleges (hereafter all included under the phrase community college) see the reauthorization of the Higher Education Act as an opportunity for bold and decisive action, the opportunity to make the Act a cornerstone of a national strategy for human resource development.

The current Act lacks a unifying theme or focus. Title IV aside, the Act is a collection of special-interest programs that largely take the national interest for granted. Starting with this reauthorization, the various federal incentives that foster and enhance career competencies should be orchestrated into a coherent and cohesive plan -- a strategy embodying these principles:

** Federal incentives aimed at career competency enhancement should be orchestrated into a coherent national strategy.

** Federal incentives should be aimed at stimulating collaborations between educational institutions and public and private employers. They should

enhance the flow of state-of-the-art technical equipment, facilities, and materials to those institutions that are critical to the delivery of a world-class workforce.

** Incentives should favor those institutions that have demonstrated a capacity and willingness to meet the challenges of demographic change, adult literacy, and technical literacy in the workplace.

** As the largest system of higher education and formal workforce training, community colleges should be consistently represented in policy-making bodies at national, state, and local levels to enhance program coordination.

** Federal incentives should also help communities and local institutions to mesh volunteer services with educational goals.

** Special attention must be given toward coordinating the various federally funded human resource development programs.

The national interest will be served best if reauthorization targets those areas where higher education can do the most to strengthen human resource development and American productivity. Community colleges see three priorities as paramount:

** To achieve a world-class workforce, education must both turn back the tides of adult and workplace illiteracy and satisfy the specific skill needs of the employer community.

** American research, technology, and science must be kept at the cutting edge, and technology transfer given strong emphasis and support.

** The teaching profession must be strengthened on every level, especially in mathematics and science, and technological breakthroughs used to enhance both teaching practices and student assessment.

Without a better and more culturally diverse supply of classroom teachers on every level, the first two goals will be elusive, if not unattainable. A democratic society undervalues its teachers at its own peril; at the same time, educators and teachers should take the lead in changing the archaic school year and the misguided pecking order of academe. Good pre-school and elementary school teachers are easily as important to America's future as the most learned professors.

Recommended Priorities

ACCT and AACJC consider six priorities as essential to make the Higher Education Act the cornerstone of a national strategy for human resource development:

** The Pell Grant should become an entitlement -- designed to ensure that the neediest students can complete at least one year of postsecondary study without loans.

** Student aid delivery should be simplified for both students and institutions, and the deficiencies in departmental management of the programs should be rectified.

** Titles I and XI should be replaced by a national network of employer-college partnerships for human resource and economic development, to provide "relevant skill upgrading for all workers throughout their careers," to increase workforce literacy, and to infuse instruction with more state-of-the-art technology.

** A parallel initiative in "pipeline" articulation is needed to raise sharply the flow and retention of transfer students, particularly ethnic minority students who pursue careers in teaching, science, engineering and public service.

** Grave urban problems, from dropouts to waste management, call for new levels of cooperation and leadership from public and private institutions, and an Urban Extension Service should be established to help urban community colleges and universities spearhead the solutions.

** Establishment of the position of Assistant Secretary for Adult and Community College Education would enable the U.S. Education Department not only to better coordinate federal programs with the work of community, technical, and junior colleges, but also to improve inter-agency cooperation and strengthen the educational partnerships involved in training for the employer community.

To this agenda, the community colleges bring a distinct commitment to human resource development. The greater mission of the community college is to serve the civic and cultural aspirations and skill needs of the community, its constituents, and its employers; the college transfer function is just one facet of that mission. In many areas, the community colleges have pioneered the partnerships that serve the needs of employers and the community, but the task has only begun.

The starting line in meeting these challenges is access to institutions of higher education.

Access: Pell Entitlement and Simplified Delivery

Pell Entitlement. The Pell Grant program has never received the recognition it deserves for advancing national competitiveness. It stands with the GI Bills and the tax code Section 127 (employee educational assistance) as federal policy's best generators to develop advanced workforce skills. Inspired in part by the success of the original GI Bill, the Pell Grant has done more by a wide margin than four GI Bills combined to enable less-affluent Americans to gain the postsecondary education and training to become better workers and better citizens.

The AACJC-ACCT Joint Commission on Federal Relations has from its inception a decade ago urged Congress to make the Pell Grant an entitlement. It should be called the United States Pell Grant so that recipients understand its source.

AACJC and ACCT advocate for the reauthorization a base allowance that is the same for all students, starting at $2,500 the first year. The maximum grant should provide additional cost sensitivity of 25 cents per dollar, up to a first-year maximum grant of $4,000. The base allowance should be indexed for inflation, and should be increased dollar for dollar with increases in the cost sensitivity. The recommendation of a uniform base will promote both access and persistence. Trends indicate that increasing numbers of ethnic minority and disadvantaged students are foregoing college opportunities rather than risk their futures on loans.

Simplified Delivery. The most urgent need in Title IV, apart from grant and loan reform, is the simplification of aid delivery for both students and institutions. Countless potential students are turned away from college by the complicated forms and the daunting process. It is clear that both the Education Department and the colleges are choking on excessive processing and reporting burdens that increasingly defeat the intent and success of the programs. These burdens are the largest cause of professional turnover in the ranks of community colleges' financial aid staff. ACCT and AACJC strongly recommend:

** The application form should be a single page and standard for all institutions and processors.

** A single methodology should be adopted for the calculation of aid awards.

Less-than-half-time. Pell Grant eligibility should be maintained for less-than-half-time students. Working adults have become the majority students of higher education and their career needs are as important to the national interest as those of the so-called traditional students. Exclusion of less-than-half-time students from Pell Grants reduces the opportunities of displaced homemakers, single parents, and under-employed women and minorities to acquire marketable skills; those with full-time jobs on top of home and family responsibilities rarely have time for more than one college course at a time.

Ability-to-benefit. The options for measuring ability-to-benefit (ATB) that were in force before the 1990 Budget Agreement imposed independent third party testing on all institutions receiving Title IV aid should be restored for degree-granting institutions. Federal requirements covering ATB should apply only to those schools whose ATB enrollment exceeds 10 percent of their regular student headcount.

State Student Incentive Grants. The impact of SSIG in augmenting need-based assistance far exceeds the modest federal investment in it. One option to consider for front loading would be an expanded State Student Incentive Grant program, with at least half the leveraged dollars earmarked for freshmen. By participation in SSIG, States take greater responsibility for reducing defaults and improving persistence in their own institutions. SSIG could also be used to good advantage in early intervention, to help at-risk students in middle schools and high schools and give them assurance that grants will be available for college if they complete high school.

TRIO. Community colleges strongly support the TRIO programs, particularly those programs that serve ethnic minority students. With the growth of both community college enrollment and community college participation in TRIO, articulations should be added to the qualifying criteria: four-year institutions should no longer be eligible unless they have comprehensive articulation agreements in force with one or more two-year colleges. Such a provision would make TRIO more consistent with its own "upward bound" philosophy.

Campus-based Programs. The College Work Study (CWS) and Supplemental Educational Opportunity Grants (SEOG) programs should be reauthorized essentially as written. As an offset to the higher cost of a Pell Grant entitlement, community colleges could support an increase in the institutional share of SEOG from 15 percent to 25 percent.

The range in which institutions may switch funds between CWS and SEOG should be increased from 10 percent to 25 percent.

Stafford Loans. Community college financial aid administrators typically make a creed of urging needy students to resist loans. In the words of Congressman William D. Ford, "loans do not buy equity for needy students, they buy more inequity." In dollar terms, community colleges are the smallest source of defaults among the major sectors of postsecondary education. A striking example is California, whose 107 community colleges made just 17,800 Stafford Loans last year, while enrolling 1.5 million students. These loans totaled $36 million -- a per student average of just $24.

To curb fraud and abuse:

++ The first step must be the sweeping simplification of Title IV programs; the sheer complexity and excessive paperwork the programs now entail constantly threaten students and institutions with inadvertent misuses of the aid.

++ Accountability for the Stafford Loan program needs to be precisely assigned; the divided accountability that presently exists leaves no one specifically in charge.

++ The Education Department should be funded immediately to install a computer system that identifies all aid recipients by Social Security number and driver's license number. This identification should be posted with the Department at the instant an institution awards aid.

++ Recipients who obtain aid fraudulently by switching schools, or other means, should face stiff penalties.

Unfortunately, the Department has never been adequately equipped or staffed to provide even-handed compliance. Colleges frequently have been subjected to unwarranted and detrimental criticism in their communities by the Department's release to media of faulty default-rate calculations. The Department's persistent publication of default percentages alone, without regard to total dollars involved, has been equally disruptive.

The default rates of many community colleges would be lower if loans remained credited statistically to the schools where they originated. Community colleges often are charged with the defaults of reverse-transfer students, whose Stafford Loans originated in a four-year or proprietary college. The reauthorization should specify that Stafford Loans will stay in the default calculations of the schools where they were made.

++ Self-regulation should be sanctioned for colleges whose Stafford Loan population is less than 10 percent of its students enrolled half-time or more in credit programs, and whose default rate is less than 20 percent. Only a brief summary report should be required of such colleges annually.

++ Lending institutions should be required to provide graduated repayment schedules for Stafford Loans. The interest rates should be made variable after the fourth year, with an absolute limit of 12 percent.

++ The Income Contingent Loan program should be abolished.

Direct Loans. AACJC and ACCT support the availability, at the option of the institution, of federally funded direct student loans or the IDEA loans proposed by Congressman Thomas E. Petri, as alternatives or supplements to the Stafford Loans.

The reporting requirements on Stafford Loans have grown into an unreasonable paperwork burden. In California, Virginia and Alabama, among other States, community colleges with comparatively small loan demand are opting out of Stafford Loans because they have found that staffing and reporting costs of the program exceed, or nearly exceed, the loan dollars the student would receive.

Regulation by Sectors. Unless Congress goes to a direct loan program, the Education Department should be granted authority to regulate loans by sectors. Community colleges, state colleges, independent non-profit institutions, and proprietary schools all have very different problems and needs in servicing and managing their loan portfolios. While community colleges serve the largest enrollments of at-risk students, they represent the smallest sector of the default problem in dollar terms. While Congress chooses for reasons of equity to make no distinction in assistance available to students in non-profit colleges and those in proprietary schools, equity is lost in the Department's efforts to regulate all sectors by the same rules. Likewise, efforts to increase the job skills of both the economically disadvantaged and the workforce as a whole will suffer if the law allows only one option for measuring "ability to benefit."

Employer-College Partnerships for Human Resource and Economic Development

To help higher education fulfill its larger potential and role in a national human resource strategy, the reauthorization should provide a new partnership program with a dual focus:

++ To provide, again in the words of the National Governors Association, "access to relevant skill upgrading for all workers throughout their careers."

++ To close the college transfer breach and build a seamless "pipeline" of postsecondary opportunity in science, engineering, teaching, and public service.

The nation can achieve a superior workforce only if personnel have continuous and convenient access to postsecondary training for as long as they wish to hold jobs. Because such upgrading is increasingly postsecondary, the higher education community should shoulder the larger responsibility for it. In order to do that changes must come on two fronts:

++ First, even as older, working students have become the majority population of American campuses, most four-year colleges remain largely programmed for the convenience of younger students. The vast majority of Americans who will constitute workforce 2000 already are on the job. The hope of building a competitive workforce in the next decade lies in boosting their competencies and lengthening their careers. The wage and productivity increases flowing from their extended skills would repay the training investment many times over in added payroll taxes and lower Social Security and social service costs.

++ Second, the national interest is ill-served by the poor state of articulation among collegiate institutions in many States. Curricular articulation often is most woeful in the areas of highest national need -- science, mathematics, engineering, and teacher development. The problem is at least as detrimental to older workers seeking marketable skills as it is to traditional students seeking transfer between two-year and four-year colleges. The convenience and equity of the students must come first in articulation, not the turf claims of academics.

Flexibility should be the hallmark of partnerships between higher education and the employer community. Experience has shown the community colleges that they increase enrollment and program quality and reduce costs when they deliver courses at work sites that provide state-of-the-art equipment and facilities.

Employer and employee preferences should determine the modes of program delivery wherever they are feasible and consistent with accredited standards. The students' educational and career mobility should be the first consideration in all such options, from cooperative education and youth apprenticeship to Tech-Prep and advanced placement. American education should not find it necessary to "Europeanize" itself to achieve a world-class workforce; yet it should offer students, workers, and employers the kind of articulation and credit exchange model found in the Servicemembers Opportunity Colleges.

The Cooperative Education program should be reauthorized as part of the employer-college partnerships, to achieve much broader application of its demonstrated potential in school-to-work transition.

This proposed new title should provide planning grants and assistance only to partnerships in which two-year and four-year colleges articulate both with each other and with federal programs that promote education and training for under-employed adults and dislocated workers. It should promote replication of proven cooperative education and the Tech-Prep/Associate Degree Program models. It should favor partnerships that involve employers with state-of-the-art facilities and equipment and that promote networking in both instructional technology and library resources.

Articulation and Program Development: "Pipeline" Improvement. President Bush's budget references to the missing "pipeline" pinpoint one of the gravest impediments to American competitiveness, which is the inadequate curricular articulation in science and engineering education. Largely ignored through the years by both the Education Department and the National Science Foundation, this problem short-circuits both the supply of highly trained scientists and teachers and the productivity of the workforce as a whole. In particular, many more ethnic minority students must be encouraged in these fields. The Bush budget's (FY'90) apt words on the "pipeline" are worth repeating:

> Even if the historic average holds, and five percent of 18-24 year olds obtain S&E degrees, the resulting shortfall in the S&E workforce could reach into the hundreds of thousands. Moreover, many students with an expressed interest in science and engineering careers leave the pipeline before getting a degree in science and engineering. This is particularly true for underrepresented minorities. Currently Black and Hispanic children constitute 25 percent of our school children; by the year 2000 this percentage will rise to 47 percent. Yet it is these groups that are now the most underrepresented in the S&E workforce. . . .

The problem calls for strong and immediate cooperation between the Education Department and the National Science Foundation. Articulation grants should be made to high schools, community colleges, and four-year schools to form partnerships that enable their faculties in science, engineering and technology to build and maintain continuity in learning and the most efficient transfer tracks. The Education Department and NSF should also work with the Labor Department to provide additional grants that help such partnerships to answer the critical skill needs of employers.

The Minority Science Improvement Program (MISIP) could make a substantial contribution to "pipeline" improvement if its authorization were increased tenfold, allowing colleges with concentrations of Hispanic enrollment to become as much the focus of the program as the predominantly Black

colleges. Likewise, the Fund for the Improvement of Postsecondary Education (FIPSE) should be reauthorized with a new focus, giving priority to initiatives and innovations that promote "pipeline" articulation and human resource development.

Assistant Secretary. To direct these initiatives, ACCT and AACJC ask Congress to provide an Assistant Secretary for Adult-Community College Education and Educational Partnerships. Even as community colleges have grown into higher education's largest sector, now enrolling six million students in credit and degree programs and another four million in non-credit continuing education programs, the Education Department has done little to employ administrators and specialists from community college backgrounds. A key role of this Assistant Secretary would be outreach to other federal agencies, to corporate and employer communities, and to other programs within ED that support education and training programs in order to maximize coordination and return on the taxpayer investment. An educational "pipeline" that delivers comprehensive human resource development cannot be achieved without such coordination among federal programs and the employer community.

Urban Extension

A national strategy for human resource development, to be successful, faces among other tasks the daunting challenge of revitalizing employment and economic opportunity in the urban centers. Community colleges and urban universities could be used to much greater advantage through the formation of an urban extension service, modeled after the vastly successful rural extension service.

Specialists from the universities and community colleges could work hand in hand with city governments in action oriented, problem solving approaches to a variety of pressing urban needs under such a program. A new partnership of federal and city agencies and urban colleges could target urban such urban priority needs as:

++ Strengthened entrepreneurship and small business (incubators).

++ Worker training and retraining.

++ Organizational development for community-based organizations.

++ Citizenship skills.

++ Literacy and adult basic education.

++ Student literacy corps.

++ Cultural enrichment through joint art, theatre, and musical events.

++ Hotline networks to provide crisis counseling and combat drug problems.

++ Infrastructure planning and renewal.

++ Child nutrition and family learning programs.

++ Improved community health networks.

++ Senior citizen education.

++ Home extension services.

Strengthening Institutions

The Strengthening Institutions program (Title III) has contributed more than any other HEA program to the advancement of institutional quality, notably in colleges serving larger enrollments of ethnic minority and economically disadvantaged students. Its importance has been consistently affirmed by Congress by higher funding than any other non-Title IV program. AACJC and ACCT strongly support the renewal of Title III. The Part A floor of $51 million for community colleges enacted in the 1986 Amendments was a reaction in part to Title III's neglect of two-year colleges in its early years and should be renewed. This Title should be renewed and the wait-out period should be abolished. It hurts the momentum gained from a successful Title III project in a college that deserves consideration for another grant. Special attention should be given toward strengthening the endowment section of this Title enabling colleges to leverage private dollars many times over.

Community colleges feel strongly that the endowment Challenge Grants should be expanded and open to all colleges that establish Title III eligibility. Confining such grants to those schools that currently receive Title III support is inconsistent with the basic intent of the program. Elimination of this restriction would widen considerably Title III's impact on institutional quality, by accelerating private contributions to endowments for the otherwise eligible Title III schools and leveraging the federal investment.

The criteria given in the 1986 Amendments sharpened the focus and equity of Title III and should be retained. Authorizations for each Part should be increased, and regional and national consortia of needy schools should be made eligible. For rural and urban colleges, consortia could be especially effective in meeting some of their toughest problems.

ACCT and AACJC also propose that the Minority Institutions Science Improvement Program (MISIP) be added to Title III, with a ten-fold increase in its authorization.

Instructional Development:
Communications Technology, Technology Transfer, Networking

Instruction, access, networking, and articulation can all benefit from the rapid growth of communications technologies, as well as from technology transfer from both industry and governmental research and development. Business, industry and state governments should be encouraged by federal incentives to help colleges form resource sharing networks, using state-of-the-art technology to increase access for working adults, enhance language and civic skills for the growing non-English speaking population, and raise both the quality and availability of technical and professional education. The most pressing needs are in curriculum development, instructional systems, library and information networks, technology transfer, simulated learning and in-service training.

Higher education serves a highly mobile population, who prefer their instruction at the nearest delivery point. Competing demands make such students impatient to see institutions linked electronically to improve a variety of services, from library collections and counseling to course descriptions, transcripts, and the transfer of course credits.

Colleges generally lag in outreach to homebound learners, adults with full-time obligations to work or family, and students in rural areas and communities isolated from campuses. New technologies brighten the hope that these students can be better served through long distance learning. Federal incentives should encourage initiatives in these areas.

Innumerable advances in technology, accumulated from contract research, are being stockpiled by federal agencies rather than put to classroom and other productive use. The need for technology transfer, especially in instructional technology, is most acute in the Department of Defense (DOD). The reauthorization should sanction the broadest possible application of such advances.

International Education

The rising national need for American expertise in languages, area studies, and other international fields -- spurred by the President's quest for a new global order -- call for the expansion of Title VI programs and a commitment to undergraduate teaching in these fields at least equal to the Title's current support of graduate studies.

Language barriers have become a formidable handicap to Americans and American interests both domestically and globally. Because community colleges are the doorway to higher learning for the majorities of women and minorities, as well as immigrants and first generation citizens, and to cross-cultural understanding for enormously diverse adult student populations, the faculty of community colleges need much greater access to study abroad and to the international resource centers at domestic universities and the area resource centers abroad. In contrast to the graduate students who use such centers primarily for research, community college faculty would use them for instructional enrichment.

As presently written, Title VI provides only a 10 percent setaside for undergraduate education. Only 16 percent of this funding in FY'90, amounting to just 10 grants, went to community colleges -- far out of proportion to community college potential for advancing language studies and international education. The Title VI authorization for undergraduate programs should equal the authorization for graduate work, if the nation is to excel in these fields.

Professional Development

Today's need for good teachers is the most acute the nation has faced. Only world-class teachers can produce world-class schools. To replace retirees and staff new courses, the need in community colleges could exceed 500,000 new faculty by the year 2000. The accelerating demand for worker training and retraining could push credit enrollment in the community, technical, and junior colleges from the current six million to nine million students within the decade; an increase of 500,000 students is expected in the California community colleges alone. The demand for new teachers will be much greater still at the elementary/secondary levels.

Yet supply is but one facet of the teaching profession's multi-dimensional problem; changing demographics have heightened the need for cultural diversity and minority leadership in the classrooms and for the recruitment and retention of minority teachers, while global competition has elevated the importance of subject mastery. Looking at any or all of the National Governors Association's six goals for education, the indispensable ingredient is teacher excellence.

The Higher Education Act's support for professional development should be similarly multi-dimensional. Though community colleges are centered in classroom instruction and serve the majority of Americans starting college, they are poorly utilized as a source of new teachers and teacher development. Scholarships should be authorized for community college graduates, particularly minorities, who want careers in teaching. The professional "pipeline" in teaching could be strengthened by greater community college participation.

Title V should be redrawn to direct some of the dollar flow to community, technical, and junior colleges for purposes of in-service professional development activities. With an estimated one-half of the faculty and administrators leaving colleges during the decade of the 1990s, professional staff development moves beyond being a nice thing to do ... to being absolutely essential.

Senator PELL. Thank you very much indeed, Mr. Wyckoff.

Dr. Henderson, I think you mentioned that at your institution the number of female students is about double that of male students. What would be the reason for that?

Mr. HENDERSON. That is correct. As you know, Senator, we do have an alarming problem in America with black males. I think that is something within our institutions that simply responds to some of those crises that we are going through in the Nation itself. We are losing our young black men. We are losing our young black men, and college to a good many of them does not seem to offer the promise it once did many, many years ago.

I think that cost provides one of the factors. Young men find it more advantageous and more profitable to engage in other things, particularly in urban areas, to make money than to go to college.

Senator PELL. But why wouldn't that apply equally to the female students? Why would there be an imbalance with twice as many female students as male?

Mr. HENDERSON. Well, I think there are so many opportunities that are opening up to females now. We have more and more young women who are exploring other options in education. This is not something that is particularly unique to my college or the historically black college. I think it is a national phenomenon that is occurring, that over the past 10 years the enrollment of females has increased dramatically as more opportunities have opened up.

Senator PELL. I know the dreadful statistic that young black males between 20 and 30, one out of four are in jail or in the arms of the law.

Mr. HENDERSON. That is correct.

Senator PELL. Do you think that is another factor here in lowering the college participation rate?

Mr. HENDERSON. There are limited opportunities for employment; the cost of education has risen dramatically, and so young men just drop out of society it seems because they don't have the opportunity to work or to go to school in order to prepare themselves to lead profitable lives.

Senator PELL. Thank you.

Mr. Wyckoff.

Mr. WYCKOFF. Senator, our enrollment at our college is 70 percent female also. I would just like to expound a little bit. We had a dislocated worker program which reached predominantly the out-of-work male, and we had some dramatic success stories come out of that. But we had some grave disappointments. What it really got down to was that a male beyond his mid-20's could not easily make that adjustment back into educational college life, and that there were lots of reasons put up. Many of them were financial and feeling that they had let their families down; others included the fact that they just needed a transition force to go through. That was one particular program I would have liked to have been able to keep one more year to find out if we could have made it work.

But we found that the women are needing to come back to supplement the income of the family, and they simply cannot do that on the minimum wage jobs that are available to them, so they'll come back trying to increase the family's income level while the husband is normally underemployed or unemployed.

Senator PELL. Thank you.

I agree with your comment that it is not a good idea or good social policy to force loans on poor people who probably will not have the opportunity to pay them back because what you are doing then is creating a whole class of deadbeats, and that's not a good thing either, to have that debt hanging over you for the rest of your life.

Mr. WYCKOFF. Well, it just simply doesn't work. If you can come back to our community college and you are about to lose your job or have lost your job, and you were making—in our part of Kansas there, $6 an hour would be a pretty good income at that level—if you were making that and were about to lose it, and you could come back to the community college and pick up some basic skills and a trade, or in an office environment, and maintain that $5-$6 an hour income, then you are going to be employed, and you are going to pay taxes and do other thing—but you cannot afford to pay back a loan. It just won't work.

We heard the testimony earlier, there is no way that a family can pay back loans unless the income level goes up dramatically.

Mr. HENDERSON. Senator, if I might comment on that, I have had students, young men who come from primarily urban areas, and of course these students when they come to our institutions bring a certain amount of baggage along with them from those communities. But I have heard young men say to me that it becomes very distressing when they have selected education as a means for becoming productive citizens, and they find themselves confronted with some insurmountable loans, when there are young men who are a part of the problem in some of those communities who drive big cars and wear gold chains because they find it much more profitable to indulge in the criminal element of drug-trafficking. You see, for a young man who really wants to make something out of himself and serve his community, and comes out of college facing an insurmountable debt, it is very difficult for him to pay back.

Senator PELL. I had not thought of that before, but I agree with you.

Senator Kassebaum.

Senator KASSEBAUM. Thank you, Mr. Chairman.

First, it is a great pleasure to welcome a fellow Kansan here. I would just like to say that Mr. Wyckoff has been an active member of the community, and we are very proud of Labette Community College in Kansas. It is one of the oldest in Kansas.

I would like to start by asking you whether you could elaborate on the kinds of reporting requirements—which led your bank to drop its participation in the loan program.

Mr. WYCKOFF. We are a very small bank. Kansas has 550 banks and is not a very large State. I think 220 banks in Kansas are smaller than $20 million in deposits. For a small institution that serves the community interest and makes loans to the people who live around the corner and the families throughout their lives, you make a loan on the basis of a lot of things, and one of those is probably not the effort with all of the paper work, reporting requirements, the 15-day notice, the follow-up and the other things, that if you miss one, you have a pretty great chance of not having that loan reimbursed.

It is much easier from the bank's standpoint simply to make that loan direct in our case. In all of our handling Guaranteed Student Loans, we had one claim, and it was due to a death.

So little banks in Kansas were not making loans that were going in default. They may end up slow, and they may end up needing some remedial action, but those are the requirements that a small institution simply cannot handle. And of course, a larger institution, which would have a computer bank and an entire staff doing that, can handle it quite well.

So you simply have to make the decision just to move it out of the local community.

Senator KASSEBAUM. Well, it certainly makes good sense, I think. Have you given any thought to whether the whole program should be handled by the Department of Education, removing the banks totally?

Mr. WYCKOFF. I can speak as an individual on that, can't I? I would have no problem with that because my livelihood is not depending on income from student loans. I know there has been some interest in our association expressed at the larger community college districts—Houston and Dallas community college districts are two I can think of—that wanted an opportunity to make those loans directly from the school and administer those out of the college.

Now, in a larger college setting maybe they could do that; in a small college it simply wouldn't be feasible.

So I think there should be some opportunities given to opening up other areas to house those loans, and giving that college or financial aid adviser a little more handle and flexibility on whether or not they make the loan would be enormously helpful. There are situations where simply a college would like to turn down a student and, quite honestly, can't.

Senator KASSEBAUM. Dr. Henderson, do you think that would be a good idea—that's kind of putting you on the spot. Let me just say that I personally think the concept is a worthy one. I think it is of some advantage to the student to be able to have some good advice from a financial aid adviser at that point. That does put a big burden, it seems to me, on the financial aid adviser and/or on the school—and perhaps that is where it should be. But we have tended to try more and more to develop the guidelines from here.

Mr. HENDERSON. I can't speak for all college and university presidents, but I certainly feel that Wilberforce University does not want to be in the lending business nor do we want to be in the debt collecting business. We are primarily educators, and whereas we are concerned about students finding assistance to enable them to pursue a college degree, a college education, I just simply don't think lending money and collecting those debts really is in the purview of an educational institution. Where it goes, it doesn't matter, as long as there are means of accountability and there are options available to students in order to provide the resources that they need to get an education.

Senator KASSEBAUM. What is the average debt load of students graduating from Wilberforce University, Dr. Henderson?

Mr. HENDERSON. I would say that our students graduate with a debt of anywhere from $6,000 to $7,000.

Senator KASSEBAUM. Mr. Wyckoff, do you have any idea for Labette Community College?

Mr. WYCKOFF. There are three different parts to most community colleges and certainly ours. About one-third of the students are transfer students who are getting their first 2 years of school to go on. Those students will probably incur the most debt, and it is not going to be great but it is probably going to be in the neighborhood of I would say $2,500. There is another third who are being retrained to stay in the community work. Those people are usually the underemployed or unemployed, and they have to cover it either by grant or aid, or they are not in school. So they would have virtually no debt. And we are probably missing many of those because of that. And the last third are the students who would come into our colleges, mostly our health science field. Those students are going to come out with a much greater earning power, so they will go into debt maybe in the $5,000 to $6,000 range, and that is normally made up of women, and that is normally child care and other costs they had to accumulate during their educational process.

Our nursing program is one that I looked at specifically for this. Our last graduating class of 45, of which 41 were women, one-third of those people entered the program with a G.E.D. We have a 98 percent graduation rate, and these students will be able to triple their income after graduation, so they can afford to repay a loan. It is simply going to increase their earning power. But it is getting that first year of school that they could not afford.

Senator KASSEBAUM. Dr. Henderson, you noted that a $10,000 family income cut-off for the Pell grants is too low. What do you think would be a good level? Have you given any thought to what you feel would work to an advantage to attracting more students?

Mr. HENDERSON. Certainly we have a substantial number of students who fall below $15,000, but then there is another larger number that is between $15,000 to I'd say about $35,000, where there are other kinds of family circumstances which stretch the family dollar.

I would really like to see the cut-off extended somewhere maybe around $45,000-$49,000, depending upon the particular circumstances that families have to be concerned with in terms of financing an education.

Senator KASSEBAUM. I am sure probably both of you would agree with Dr. Rosser's suggestion that we eliminate nonliquid assets in determining eligibility.

Mr. HENDERSON. I would certainly agree with that, yes.

Senator KASSEBAUM. And certainly for agricultural areas.

Mr. WYCKOFF. Yes. I have an example in the testimony I presented that was very similar to the Bethel College example earlier, where a single mother of four who had inherited a small family subsistence farm was not allowed to participate because of those assets.

Mr. HENDERSON. Wilberforce University has a mandatory cooperative education program, that is, every student enrolled has to successfully perform a cooperative education experience, two of those. These are paid coop jobs. One of the things that really concerns students is that that income—and we're talking about an academic

requirement—that income is taken into consideration in terms of assessing the student's overall need eligibility and is subtracted as income when making the determination as to how much the student is going to receive. So those are factors that sort of work against many of our students.

Senator KASSEBAUM. In closing I'd just like to say—and I think everybody has touched a little bit on it—that students coming out of high school need better guidance in even their sophomore and junior years in high school about what lies ahead and what career paths are going to be best suited to them. We must provide better guidance.

I think it is a real disservice to students to have them accumulate this enormous debt and then enter fields where the pay is just not going to be commensurate with the debt that has been accumulated.

So I think it goes back even further than before they have entered college, where we have got to prepare a little better for what does lie ahead.

I think just expanding the program, as much as we need to find some different answers, is not going to work if we don't also work in some other directions to make it a little more constructive.

Thank you.

Senator PELL. Thank you very much.

Senator Simon.

Senator SIMON. Thank you very much.

First of all, I appreciate both of your testimony and your leadership. Mr. Wyckoff, I remember your being here before and appreciate your leadership.

If I could just disagree, however, with one small thing that you said that I think is significant. You said you would like to have the ability to turn loans down. I think of a young lady who testified earlier this week who was on welfare, who now has graduated. She has some loans. She is going to get a job. And she has two children. Frankly, I think there is a reasonable chance that she is going to end up on the default list. And I suppose some people will view that negatively.

The very fact that she has moved from being on welfare to being a taxpaying person, even though she at this point may not be able to pay back that loan, I think is great progress for her and for our country. But I'm not sure if she had gone to that college or to your bank—and I don't mean this disrespectfully to you or to your bank—I think if I were the banker or the college person to administer the loans, I'm not sure I would have given her a loan. And yet the fact that that mandate is there I think is important; it means we can't turn down people who on paper just don't look good.

Let me shift to another area. I do favor, as you have testified, shifting from loans to grants. And if I could use this illustration, Senator Kassebaum, I have a member of my staff who, with his wife, is now paying $1,080 per month back on student loans. That is just a huge, huge chunk for people to be paying.

The question is: Where do we go and how do we get there? Do we just tinker at the edges with reauthorization, which is basically what we did 5 years ago, or do we really dream and ask: What kind of a Nation can we build, and how do we build it?

We are kicking around—we haven't even gotten to the point where we are sitting down to talk over numbers yet—but my staff is having some numbers crunching done for a Pell grant at $2,800 or one-half of tuition, whichever is higher. I would be interested in your reaction to that kind of an approach.

In the independent sector there has been the statement that the Pell grants don't really help students at Wilberforce as much as they might, but if you had a Pell grant of $2,800 or half of the tuition, whichever is higher, that would be of help.

Mr. HENDERSON. That would be a powerful incentive I think to students pursuing an education, particularly low-income and moderate, that middle-income category. That would be a powerful incentive at Wilberforce.

I expressed earlier that we feel—and I represent the thoughts of the other UNCF presidents—that the Pell should be an entitlement program; it would be something that is available to students, guaranteed.

Senator SIMON. Mr. Wyckoff, do you have any thoughts?

Mr. WYCKOFF. I would agree with that also.

If I could comment, though, on your loan program, what I really mean to get across there was that the financial aid officer should have the ability to take that example you used and say, "We really don't want to strap you with this loan. We want you to become a taxpaying member of society. But we'd like to do this in the way of a grant. And show us that you are willing to do it before we strap you with the loan."

Now, I don't mean that to say that I don't want to make loans to people, but as you are saying with the people who have a $1,000 repayment now, that is probably disruptive their whole way of life.

Senator SIMON. No question about it.

Mr. WYCKOFF. It is just simply something we have got to address. I would probably say that rather than work on the fringes, we need to get back to the heart of it.

Earlier in the testimony we were talking about the complication of applicants and all of these other forms to fill out. Senator Nancy knows that I have five children, three of whom are in college now, and one is a senior in high school——

Senator SIMON. You have my sympathy.

Mr. WYCKOFF. So those forms when they come in—and I consider myself to be a reasonably educated person who deals in financing—and it is simply unbelievable how you can complicate a form like that. There is no way that anybody is going to go through and fill that thing out.

So if I can go back to our earlier testimony, let's take our nontraditional student, one who is a little older, who still has his VCR flashing "12:00" because he is not sure how to set it, like mine, that type of person is simply not going to sit down and fill that thing out. They are not used to it. They are used to little forms that say I'm going to loan you this amount of money, and you promise to repay it.

If we can simply find a way to get the process to where the average person, at whichever of our colleges, is not going to leave at the first meeting with the financial aid officer—those are the people who have one visit and they are gone, and we're in trouble.

Senator SIMON. I agree with you on that.

Senator KASSEBAUM. I couldn't fill this out, either.

Senator SIMON. Let me shift over. Dr. Henderson, you mentioned something that I strongly favor, and that is making an entitlement out of the Pell grant. But under the budget act that passed last year—I happened to vote against it if we want to shift $500 million from Star Wars over to education, it takes a 60 percent vote of Congress now, which I think is a great mistake and impediment. But part of that agreement that I think is sound, frankly, even if it is a barrier right now to what you and I want, is that if we're going to create an entitlement, we have to find the revenue to pay for the entitlement. You have to go on a pay-as-you-go basis.

Traditionally, education groups—and I'm not picking on the two of you here now—have come in and said we need money for this, and we need money for that. I think if we are to do the job that needs to be done in this Nation, we're also going to have to say we are willing to support the revenue. We must fight not only for an entitlement and more adequate funding for the Pell grant, but we also must be willing to say what we're going to do to pay for it.

Any reflections on your part on that?

Mr. WYCKOFF. I would agree that we have to do that. On the opposite side of that coin is what happens if we don't. Senator Pell mentioned earlier if 25 percent of Dr. Henderson's students really aren't available to him because of other social problems, who can't enter the system, what is that costing us as a society.

And it doesn't have to be in a predominantly black area for that to be a problem. In our part of Kansas, a chronically unemployed part of the society just simply doesn't resurface. So I would ask the question: What happens to us if we don't make this an entitlement to better ourselves in the future—what will it cost us then?

Senator SIMON. I agree with you completely, but under the rules of the game that we now have, to create an entitlement we are also going to have to provide the revenue. And I think that part of it, the higher education community is going to have to be addressing, and I want to work with you as you address it. But I think it is an important, less pleasant aspect of this that we're going to have to pay attention to.

Mr. HENDERSON. I think it is going to take more than the higher education community, Senator Simon. I think it is a much larger thing than that. As one of the panelists who appeared before you stated, it is going to have to take a massive effort beginning with the early child development process.

Senator SIMON. Absolutely.

Mr. HENDERSON. But it is just one of those things where you pay now or you pay later; and I think we pay more later in terms of addressing some of the serious problems that we have been confronted with.

We talked about the fact that we have a tremendous number of African American males incarcerated, and I think there is as figure that we throw around that there are more incarcerated than we have on our campuses throughout this Nation. It is an astronomical cost in human resources and all other things in order to keep a man imprisoned, where it would be much simpler it seems to me to start with a process that makes sure that that individual

has options for a decent education so that he can graduate and become a productive citizen in society rather than becoming a liability.

Senator SIMON. I thank you both.

Thank you, Mr. Chairman.

Senator PELL. Thank you very much.

I must say I so completely agree with Dr. Henderson. In my mind, it is the biggest disgrace that we have in our social system that we have more than one million mostly young Americans in jail at this time, and with the creative force and intelligence that is available there, all this going into being locked up is I think the greatest waste we have. If we could take those million people and utilize them and what they have to offer, we'd be very far down the road.

I also wrote my thesis in college, or started to, on the original Wilberforce. I have always been interested in his contributions.

I would also like to pay tribute to Frank Mensel—we have been partners for about 20, 25 years in these activities, and we're both still alive. [Laughter.] I'm very glad he is here.

I thank you both very much.

Mr. HENDERSON. Thanks for the opportunity to appear before you, Senator.

Senator PELL. As our final panel we have Reverend John P. Whalen, founder and chairman, University Support Services, Herndon, VA; Kate Wilson, associate bursar, MIT, Cambridge, MA; and Thomas Hood, director of student financial aid, University of Mississippi.

We'll start with Father Whalen. Welcome.

STATEMENTS OF REVEREND JOHN P. WHALEN, FOUNDER AND CHAIRMAN, UNIVERSITY SUPPORT SERVICES, HERNDON, VA; KATE WILSON, ASSOCIATE BURSAR, MASSACHUSETTS INSTITUTE OF TECHNOLOGY, CAMBRIDGE, MA, ON BEHALF OF COALITION OF HIGHER EDUCATION ASSISTANCE ORGANIZATIONS, AND THOMAS G. HOOD, DIRECTOR, STUDENT FINANCIAL AID, UNIVERSITY OF MISSISSIPPI, ON BEHALF OF NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

Rev. WHALEN. Thank you, Mr. Chairman.

I am Father John Whalen, and I am very grateful to have an opportunity to talk to you today. I wanted to tell you something about a program that I started three or 4 years ago that is not directly connected with the Federal programs, but is supplementary to those.

It is an entirely private sector effort to provide money for chiefly those students and their parents who do not qualify for the Federal programs because they are not defined as needy.

These are really middle class Americans. It is the working class of our country. In my previous experience as president of Catholic University years ago and more recently as the president of our local consortium of universities, I have seen countless numbers of bright students who wanted to attend one or another of our universities here locally; the university wanted to have that person as a student; but when you put the whole financial aid package togeth-

er, there was a gap left that just prevented that person from going to school.

In other cases, some of the students work for a semester, then they go to school for a semester, work for another semester, go to school for another semester. So it is an in-and-out process in getting their education.

I just saw an enormous need for money for middle class people, and I didn't know how to go about solving that problem because banks don't customarily make long-term loans that are unsecured. You can borrow against your house to go to school—you can hock the house—but I have a philosophical predisposition that says that every generation ought to take care of itself, and you shouldn't be reverting back to your parents to continue to help you while you go forward in your own life; there comes a point when that ought to stop.

So banks were not a source; it didn't work. And there wasn't any other source. So I put together a pilot program for the Washington community about half a dozen years ago, based on tax-exempt financing. We issued $50 million worth of tax-exempt bonds. That program was long-term, low interest rate because of the tax-exempt financing, loans to students in the local colleges.

It became so useful to those colleges that a number of other colleges across the country wanted to participate in it, and it couldn't work because you have to use the proceeds of a tax-exempt financing within the jurisdiction in which it is issued.

So they kept after me to try to put something together that they could participate in. I started a nonprofit corporation about 4 years ago called University Support Services. One of the chief functions of University Support Services is to borrow money at the cheapest possible rates we can find and lend that money in smaller packages to students or their parents who want to go to school.

One of our problems, of course, is in the private sector there isn't any way of making such a program an entitlement program because you have to have insurance on it, you have to have letter of credit banks to get your credit up to the point where you can enter the money market. You are in competition all the time with other major corporations like General Motors, Sallie Mae, Ford, or Chrysler. They are all in the money markets every day. We are at a point now where we also are.

We have had about three lending seasons. In the first lending season we made loans in the amount of about $3.5 million. When the program got to be known a little bit more, the second lending season we made loans in the amount of about $60 million. This past lending season, we made loans of about $120 million.

So we have made loans of almost $200 million in a three-year period, with relatively few people. The average work force for University Support Services over that three-year period probably has been about 30. Currently because the size of the portfolio is growing so fast, it is now about 60. But that group of 60 people can handle a portfolio now of any size.

The loan program runs like this. We make loans to credit-worthy people who are employed, usually, of at least $1,500 a year and up to $25,000 a year for a total cumulative amount of $100,000 over a 4-year period.

One of the problems that we are running into is that the demand for our program has become so great that it is not possible to keep up in the money markets fast enough to meet the need. So I am going to recommend, Mr. Chairman, if I may that you consider requiring Sallie Mae or some other Government agency with a mandate to help provide loans for students—and I think the easiest way is Sallie Mae—to provide that Sallie Mae give our corporation and other corporations like us in the country—the need is about $60 billion a year for middle class people to go to school—to ask Sallie Mae to give us a line of credit that we can draw on that will be paid back at interest. It is all market-driven.

Our loan program has made $200 million worth of loans, and our current interest rate is about 10.12 percent, which is lower than some of the Federal programs. And in repayment, our monthly payments on the loans are smaller because the term is longer—15 years—than the monthly payments that you have to pay on GSL's or SLS or PLUS.

I've got a lot more I want to say, but my time is up, and I'll stop here, Mr. Chairman.

Senator PELL. Thank you very much, Father Whalen.

[The prepared statement of Father Whalen (with attachments) follows:]

PREPARED STATEMENT OF FATHER WHALEN

UNIVERSITY SUPPORT SERVICES,
Herndon, VA, March 18, 1991.

Senator CLAIBORNE PELL, CHAIRMAN
U.S. Senate,
Subcommittee on Education, Arts and Humanities,
648 Dirksen Senate Office Building,
Washington, DC.

DEAR MR. CHAIRMAN: University Support Services (USS), is very pleased to be able to meet with you to talk about non-governmental programs for providing education for middle class Americans.

I welcome the opportunity to be with you and the subcommittee on March 21. In the weeks to come, Catherine B. Dunlevy, our president, and I hope to be able to visit with you and your staff to fill you in with greater detail on how a program such as ours operates in the public interest.

You will notice from the testimony attached that we are very interested in seeing to it that programs such as USS receive adequate credit capacity and financing to meet the needs of the American people. in seeking a way to do this without a direct governmental expenditure or appropriation, we have thought the simplest way is to ask Congress to require Sallie Mae to provide a line of credit to their existing "warehouse facility," for which our program would pay them a fee. Alternatively, but probably less desirable by Congress, would be the creation of a facility for tax exempt financing on a national basis together with a waiver of certain of the regulations governing tax exempt financing in the 1986 Tax Reform Act. Another alternative is either a direct interest bearing or non-interest bearing loan from either the Department of Education, or other government agency, or the Federal Financing Bank.

We know from our experience that there is an enormous need for our type of credit based education financing for middle Americans. We know that we can do it (since we have already disbursed almost $200 million of such financing) without any governmental subsidies whatsoever; and we can do it at dramatically less cost than what it is now costing the U.S. government for the guaranteed student loan programs.

The real problem is ever increasing financing requirements to meet what is the unfulfilled needs of middle class families for this type of financing. In the "Sallie

Mae" scenario above, this can be done at no cost to the government whatsoever, and at a profit for Sallie Mae.

We have attempted to address a national policy issue using private resources, unsubsidized by the Federal Government. The terms of our loans (length of repayment term, interest rate, monthly payments, etc.) are better than any non-governmental and most governmental student loan programs. Any subsidy by the Federal Government, of course, would make these loans even less expensive to the borrower than any of the existing government programs, depending on the size of the subsidy.

With the ever growing need for a better educated citizenry and work force, the present reauthorization process gives us a unique opportunity to provide for trvly universal education and the fulfillment of the Congressional intent as stated in previous higher education authorizations.

I am enclosing some of the materials for your information. They describe the program in more detail than I was able to give in the brief time we had together.

Very truly yours,

REVEREND JOHN P. WHALEN
Founder & Chairman

Mr. Chairman and members of the committee, my name is Reverend John P. Whalen and I am appearing here as Chairman and Founder of University Support Services. I am an aging, portly, clerical gentleman but an agnostic with respect to some of the beliefs that have guided education policy in this country for the last ten years. I am a dangerous revolutionary. In 1986 I founded University Support Services ("USS"), a not-for-profit corporation, which instituted its national program in 1987 to provide educational loans to credit-worthy borrowers. With me is Catherine B. Dunlevy, president of our company.

I greatly appreciate this opportunity to inform the committee of the progress we have made during the past three years in providing almost $200 million in educational loan financing to middle income Americans.

The University Support Services' program makes available loans of up to $25,000 annually, subject to costs of education at the selected college and certain credit criteria, for an over-all limit of $100,000 of total program debt. Our loans are payable over a period of either twelve or fifteen years, depending upon the program used by the borrower. They bear interest at a rate that varies with our cost of financing and that is currently 10.12 percent. The long term, low interest rates applicable to our loans result in monthly payments that are among the lowest available to unsecured educational borrowers compared to other nongovernmental, and some governmental programs. Borrowers may further reduce monthly payments by deferring principal during an in-school period of up to four years.

Our credit criteria have been developed by USS in conjunction with program credit providers. The credit criteria are conservative because we have had to rely on the strength of our loan portfolio to persuade credit providers to enter the program. Our gross default rate is 01.4 percent. This low default rate is attributable, in part, to our credit criteria and, in part, to our rigorous administration of the loan program. We have developed loan servicing procedures that exceed our credit providers' requirements and that begin to address delinquency problems when loans are only 15 days delinquent. All of this has been accomplished entirely from private sources, without any governmental assistance whatsoever.

The appeal of the USS program to borrowers is evidenced by the fact that 55,526 applications requesting $422,305,927 have been received over our first three and a half years of operation resulting in 28,829 loans in an aggregate amount of $178,128,467.

	Annual Application Volume		Annual Loan Volume	
Calendar Year	# of loans (thousands)	$ Amount (millions)	# of loans (thousands)	$Amount (millions)
1987	1,190	9,735,014	527	3,401,555
1988	11,131	83,256,669	5,007	31,012,187
1989	18,571	147,837,422	10,008	61,596,540
1990	21,405	157,295,979	11,126	68,941,253
1991*	3,229	24,180,843	2,161	13,176,932
Total	55,526	$422,305,927	28,829	$178,128,467

*January through March to-date results only

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This record is not far behind the results achieved during the initial three years of the Federal SLS and PLUS programs. In our case, however, the program meets borrower needs with no resulting Federal credit exposure and with no other form of public advertisement or subsidy. We now project loan volume for the 1991 calendar year to be in excess of 30,000 loans in an aggregate amount of $200 million.

In order to continue to meet borrower needs, however, USS must compete with such firms as General Motors, Ford, Sallie Mae, etc., in gaining access to the capital markets. As a young program whose portfolio of loans is not sufficiently aged to be evaluated by the rating agencies on a stand alone basis, USS must "rent" credit from third parties and must recover the costs of such third-party credit from borrowers.

The loan program that USS has developed and administers works as follows. The majority of loan applications are received by USS from borrowers who are employed by one of roughly 18,000 companies that participate in the program, each of which pays USS a small annual fee to defray the printing and administrative costs of making the program available to their employees. Corporate participants bear no risk of loan defaults and receive no income from the program. Loan applications are examined for conformance to program credit criteria. Loans are disbursed to borrowers meeting the credit criteria by a national bank, as lender of record. Upon disbursement, loans become subject to a surety bond that assures payment of principal and interest, subject to a first loss deductible. Periodically, USS issues commercial paper to fund its acquisition of loan balances from the lender of record for the purpose of permanently financing the loans acquired and to fund a reserve against unreimbursed loan losses. Two series of USS commercial paper issued for this purpose are presently outstanding. Each series is secured by separate letters of credit issued by third-party credit providers. Both are foreign: one Japanese and one Australian.

Our belief in the need for not-for-profit sponsorship of a program of this type is supported by the fact that our rapid growth has been constantly impeded by capacity constraints which affect each of our profit-motivated, risk-bearing participants. Our initial Originating bank, for example, was unwilling to originate more than $35 million of loans and its successor, after participating in our program for nine months, reorganized its consumer lending division in a manner which precluded further participation; we are now working with a third originating bank.

Our initial letter of credit bank was unwilling to secure more than $75 million of commercial paper and its successor was unwilling to secure more than $35 million; we are presently negotiating with several credit providers in addition to these banks.

Most recently, our surety provider also indicated that it is facing capacity constraints. I would add that each decision to limit program participation appears to have been part of an overall institutional decision to limit exposure to student loans or to limit financial risk exposure generally. Such limitations upon the exposure of profit-motivated participants to a single program may be prudent from the point of view of the financial institutions involved. However, in the present environment in which credit availability generally is contracting, the dependence of our program upon third-party credit providers significantly increases costs to borrowers, reduces the availability of loans and may ultimately cause program lending to cease.

I wish to stress that this may occur notwithstanding that the top rated financial institutions that have participated in our program to date have validated our program credit criteria through their participation in the origination of almost $200 million, and in the permanent financing of over $100 million of loans. These capacity constraints will confront any program which, because of the age of its portfolio and the absence of accumulated reserves or a permanent not-for-profit motivated source of guarantee is dependent upon third-party credit providers at a time when overall credit availability is contracting. Further, these constraints will most severely affect precisely those programs that have the greatest success in addressing borrower need and hence the most rapid increase in their need for access to the capital markets. Not-for-profit program sponsors are less likely to reduce their participation in the provision of educational loans in response to changing economic conditions than are profit-motivated entities, but they are unlikely to have sufficient financial resources to allow them to establish independent access to the capital markets during the early years of their program.

The House Committee Report on the Higher Education Act of 1965 quoted the then Commissioner of Education as follows:

> "Helping the middle income student and his family to bear the heavy brunt of college costs would seem to have a reasonable claim on a share of our national commitment to offer every child the fullest possible educational opportunity."

The House Committee Report on the Higher Education Amendments of 1986 cited this conclusion and noted that:

> "Far from being a loan of convenience for middle income families, the Guaranteed Student Loan has become a loan of necessity for all families."

Five years later it is clear that much more than a Guaranteed Student Loan is needed by our borrowers. The average amount requested by our borrowers is $7,600 and our average loan is $6,200.

Not-for-profit programs such as ours, which have demonstrated both that they address the needs of credit-worthy borrowers for educational loan financing and that their credit criteria constitute an acceptable basis for capital market financing, should be helped to meet the educational loan needs of middle income Americans.

Ideally, funds should be made available to such successful not-for-profit programs through interest-bearing loans from the Federal Government or one of its agencies to allow such not-for-profit programs to permanently fund educational loans without reliance upon the capital markets. Alternatively, funds might be made available by the Federal Government or one of its agencies through grants or non-interest-bearing loans to fund sufficient reserves to allow these successful programs to finance in the capital markets without reliance upon third party credit providers such as student loan sureties and letter of credit banks.

We project our own need for permanent financing in the present calendar year to be a minimum of $200 million and expect this need to increase to $700 million per year in calendar year 1995.

Such assistance could be provided either by the Department of Education or by Sallie Mae. The Omnibus Budget Reconciliation Act of 1981 authorized Sallie Mae to exercise its powers to make warehousing loans and to act as a secondary market with respect to non-insured loans and to:

> "Undertake any other activity which the Board of Directors of the Association determines to be in furtherance of the programs of insured student loans . . . or will otherwise support the credit needs of students."

The Higher Education Amendments of 1986 contained a provision intended to clarify the intent of Congress that:

> ". . . in carrying out all such activities the purpose shall always be to provide secondary market and other support for lending programs offered by other organizations and not to replace or compete with such other organizations."

The House Conference Report on this legislation commented that this statement of Congressional intent was to assure that, in carrying out its activities under the authority granted in 1981, Sallie Mae would:

> "be mindful of the need to support lending programs offered by others. Sallie Mae's objective should not be simply to substitute its programs for effective programs developed by others. Instead, Sallie Mae should identify education credit needs that have not been fully met by others, and design programs to meet those needs."

Further legislative clarification is needed to require that the credit needs of loan programs such as ours be supported through the priority legislative provision for Sallie Mae, i.e. to provide funding to successful not-for-profit middle income educational loan programs such as ours. This is consistent with the Congressional intent of permanently financing educational loans or for the purpose of establishing reserves and would provide a legislative basis for Sallie Mae to support us in continuing to meet the full need for educational loans now being faced by credit-worthy middle-income Americans.

Thank you.

[Please note: The reprint from Forbes Magazine, Sept. 17, 1990, is retained in the files of the committee.]

OVERVIEW OF UNIVERSITY SUPPORT SERVICES, INC.

University Support Services, Inc., (USS) is a non-profit Maryland corporation organized pursuant to Section 501(c)(3) of the Internal Revenue Code. The corporation was established in 1986 for the purposes of assisting education financing by purchasing borrower obligations and making loans to certain non-profit institutions. USS is headquartered in Herndon, Virginia and has an office in Washington, D.C. The ConSern Loan Program (ConSern) is the largest and most well known of USS's Loan Programs.

USS originated its first ConSern Loan in August of 1987. As of March, 1991, almost $200 million in loans have been originated. Volume for each of the next two years is projected at $200 million to $250 million. USS currently has two commercial paper programs outstanding - Series 1988A, backed by a letter of credit from The Fuji Bank, and Series 1990A backed by a letter of credit from National Australia Bank.

The ConSern Loan Program is offered to corporations that in turn offer the program as an employee benefit to its employees. ConSern represents over 75% of the applications received by USS. In less than 3 years, over 18,000 corporate members, including 28% of the Fortune 1000 companies, representing an employee base in excess of 9.5 million, are ConSern sponsors. The sponsoring companies pay an annual fee to participate. To date, USS has experienced 100% renewal with all Fortune 1000 companies. USS is proud of the fact that they not only set the standard for this employee benefit, but that ConSern is now an established component of benefit packages.

ConSern is the largest private sector supplemental student loan program in the country and attributes its exponential growth to the needs of middle America for these loans and to aggressive, innovative marketing plans. Olympus is a loan program marketed through banks and financial institutions, including insurance companies and accounts for 24% of applications received. P.L.A.T.O. which was recently launched, is a loan program marketed specifically for the college and university market. M.E.R.L.I.N. is a student loan consolidation program designed to assist parents and graduating students in refinancing existing student loans. All of USS's loan programs are based on credit criteria, and all loans originated are made to creditworthy borrowers. The credit evaluation is similar to most consumer lending practices.

USS has been a pioneer in consumer lending for educational purposes. Market share is a result of:

- Premier program design;
- Aggressive, innovative marketing plans;
- "State of the art" origination and servicing processes;
- Stellar customer service;
- Identification of market segment: Middle America.

UNIVERSITY SUPPORT SERVICES
EDUCATION LOAN PROGRAM FEATURES

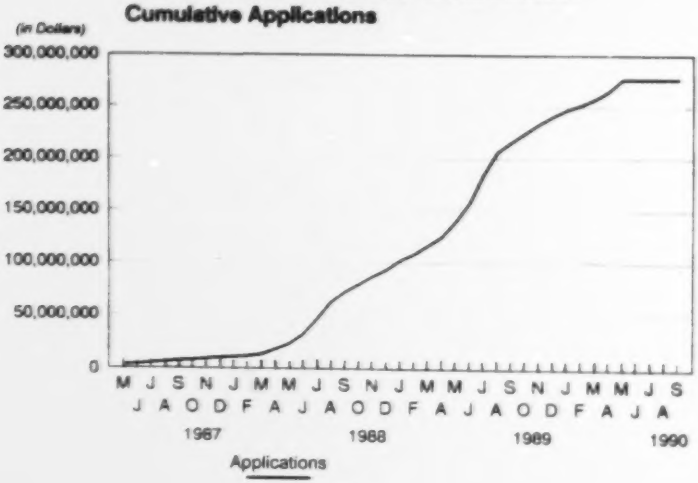
All of USS's education loan programs are floating rate, long term unsecured loans made for the purpose of assisting families in meeting the costs of post-secondary and independent secondary school education. The program was specifically designed for middle Americans who are creditworthy, but need assistance to finance their children's education. Loans range in size from $1,500 to $25,000 per year, with up to a $100,000 aggregate limit per borrower (except Olympus). The interest rate on the loans varies monthly, at a spread over a monthly average index of published commercial paper rates (the higher of the 30 or 90 day rate). Other basic loan terms are as follows:

- Up to 15-year repayment term, prepayable at any time without penalty;
- At borrower's request, deferral of principal payments until the earlier of graduation date or four years from loan origination;
- Monthly payments beginning 30 days after origination;
- Interest rate of commercial paper (CP) rate plus a spread (see below);
- Affordable monthly payments.

Loan Program	Loan Term	Loan Amount		Discount Fee	Interest Spread
		Minimum	Maximum		
ConSern	15	$1,500	$ 25,000	3.5%	3.60%
Olympus	12	$1,500	$ 15,000	4.0%	4.10%
P.L.A.T.O.	15	$1,500	$ 25,000	4.0%	3.85%
M.E.R.L.I.N	15	$1,500	$100,000	3.5%	3.60%
Personal Computer Loan	15	$1,500	$ 10,000	4.0%	3.85%
Prince George's County	15	$1,500	$ 25,000	3.5%	3.60%
State Sponsored	15	$1,500	$ 25,000	5.0%	3.85%

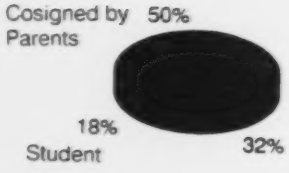
ConSern Loans for Education

Cumulative Applications



ConSern Loans For Education

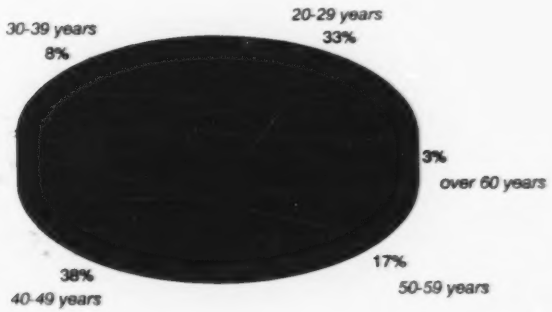
Breakdown of Borrower



Breakdown of Loans with Deferred Principal

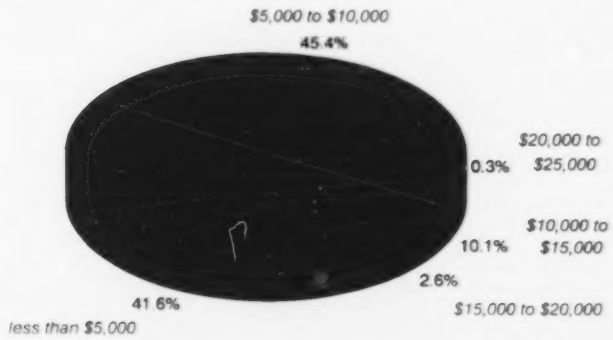
ConSern Loans For Education

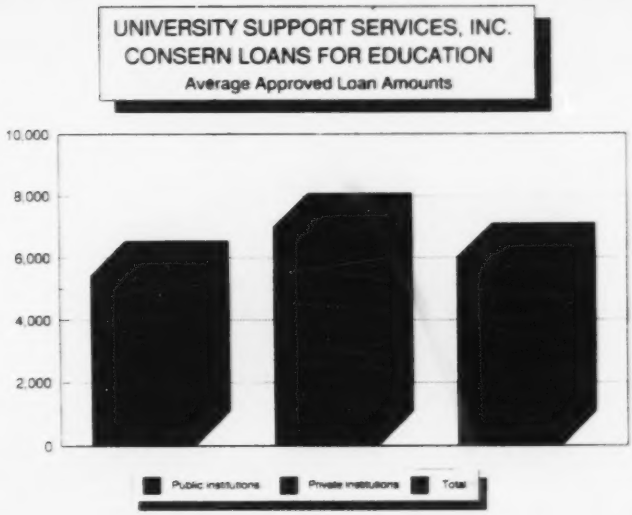
BREAKDOWN OF LOANS
BY AGE

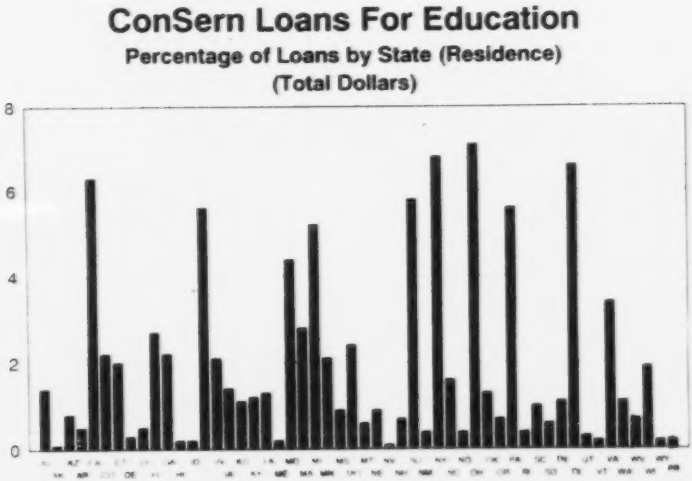


ConSern Loans For Education

BREAKDOWN OF LOANS
BY LOAN AMOUNT




UNIVERSITY SUPPORT SERVICES, INC.
CONSERN LOANS FOR EDUCATION
Average Approved Loan Amounts
10,000
8,000
6,000
4,000
2,000
0
Public institutions
Private institutions
Total


ConSern Loans For Education
Percentage of Loans by State (Residence)
(Total Dollars)
8
6
4
2
0

UNFOLD THE BEST KEPT SECRET ON CAMPUS!

INTRODUCING THE STUDENT LOAN THAT COVERS ALL OF THE COSTS OF HIGHER EDUCATION

University Support Services is pleased to offer exclusively to schools—an exceptional program: P.L.A.T.O.: The Classic Student Loan.

This brochure provides you and your family with information about P.L.A.T.O. loans and how to apply. If you have questions at any time during the loan application process, please contact P.L.A.T.O. directly. Our business hours are 8:00am - 8:00pm Eastern Time. Our toll-free number is easy to remember: 1-800-SOS-LOAN.

The program is designed to provide affordable financing for education and offers the following features:

- *Finances the entire cost of college - up to $25,000 per year (cumulative amount to $100,000).*
- *Low, affordable monthly payments.*
- *15 year repayment terms with no premium or penalty for prepayment.*
- *Unsecured—no collateral required.*
- *Based on credit analysis—not "needs analysis".*

HOW MUCH CAN I BORROW?

The minimum loan amount is $1,500 per year. The maximum is $25,000 per year (cumulative maximum per borrower or cosigner of $100,000). The amount approved for each qualifying individual borrower or cosigner depends on his or her ability to repay the loan and his or her credit history. The loan amount approved may not exceed the cost of education at the institution at which the student is enrolled.

Costs of education are defined by the individual school, and are published by the College Board. These costs include tuition, room and board, fees, books and supplies, personal living expenses, and transportation. In addition, up to $3,000 may be borrowed for a personal computer. An invoice or cost estimate from the dealer must accompany the loan application.

With P.L.A.T.O. you can borrow for a prior period of enrollment as well as your present costs, if the student is currently enrolled.

WHO IS ELIGIBLE FOR A P.L.A.T.O LOAN?

The student or cosigner, (eg. parent, legal guardian, or other financially responsible person borrowing on the student's behalf) may apply for a P.L.A.T.O. loan.

There is no family income test. You may obtain a P.L.A.T.O. loan to supplement any other financial aid for which you qualify.

The student must:

Be accepted for enrollment or currently enrolled full-time or part-time in an accredited college, university or private secondary school. Pre-approved proprietary schools are also eligible. Check with P.L.A.T.O. on proprietary schools.

The borrower or cosigner must:

Be creditworthy, i.e. demonstrate ability to repay the loan and possess a good credit history, and be a U.S. citizen or permanent resident alien, or have a creditworthy cosigner who is a U.S. citizen or permanent resident alien.

Be 18 years of age or older at the time of application (19 in Alabama, Nebraska, or Wyoming; 21 in Mississippi or Puerto Rico).

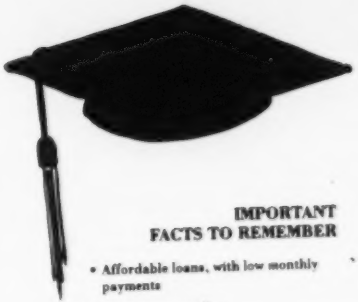
Must have been employed at least one year by his or her current or previous employer, and must be currently receiving at least $15,000 annually from all sources of income.

WHERE CAN I USE A P.L.A.T.O. LOAN?

Eligible schools include accredited:

Private secondary schools (grades 9 through 12)
Colleges or universities for undergraduates, graduate and professional education

Proprietary and trade schools pre-approved by P.L.A.T.O. (contact P.L.A.T.O. about school eligibility before submitting your loan application).



IMPORTANT FACTS TO REMEMBER

- Affordable loans, with low monthly payments
- 15 year repayment plan
- $1,500—$25,000 per academic year
- Unsecured—no collateral required
- Low interest rate—no prepayment penalty
- Defer principal—interest only up to 4 years (private secondary schools excluded)
- Borrow up to $3,000 for a personal computer
- Applications accepted throughout the year
- Simple, fast application process
- Use at all accredited colleges, universities and private secondary schools (9-12)

WHAT IS THE COST OF BORROWING?

Non-refundable application fee of $55, payable with application;

Loan origination fee of 4.0% of the face amount of the loan (included in the amount borrowed). This pays program costs and default insurance that keeps the overall interest rate low.

Monthly interest payments. The interest rate is based on the Commercial Paper rate plus 3.85%. The average rate for Commercial Paper has been historically 2 percentage points below prime.

Monthly payments of principal (which may be deferred for up to four years maximum). This deferment feature is not available for loans made for private secondary school education (grades 9-12).

COMPARISON OF MONTHLY LOAN PAYMENTS

	P.L.A.T.O.	PLAN '83	BANK LOAN
Borrowing limit, 1st year	$ 25,000	$ 4,000	N/A
Cumulative maximum, 4 years	100,000	20,000	N/A
Loan Amount			
$ 1,500	$ 25.06	$ 50.00	$ 52.74
2,500	43.10	56.12	87.89
6,000	103.45	134.70	210.94
10,000	172.42	224.50	351.57
15,000	258.63	336.75	527.36
20,000	344.84	449.00	703.14
25,000	431.05	**	878.93

** Loan amount exceeds cumulative maximum available under this program.

Note: *The figures for P.L.A.T.O. are for repayments of principal and interest, starting in the 5th year of the loan, having deferred principal for the first four years. Based on the average simple interest rate of 11.69% for P.L.A.T.O. for three years since January 1987.*

The figures for Bank Loan are for a three year term at an interest rate of 16%.

The monthly interest you pay on a P.L.A.T.O. loan is reduced as the balance on the loan declines over time. Your first payment of principal and interest will be the highest payment you will make. So as you pay off the loan your payments are lower each month.

WHEN WILL I RECEIVE MY CHECK?

Loan processing usually takes about two to four weeks, provided a complete application is received.

Checks are mailed directly to the borrower. Provided that acceptable proof of enrollment (see application list) accompanies the application, the check is made payable to the borrower alone. If proof of enrollment is not provided, the check is made co-payable to the borrower and the institution, and mailed to the borrower, who must then arrange for the institution's endorsement.

WHEN MUST I REPAY THE LOAN?

The repayment term of the loan is 15 years, but you may repay the loan either in part or in full at any time, without prepayment premium or penalty.

You may elect to defer principal payments and pay interest only while the student is enrolled at the institution (private secondary schools excluded). This deferral may not exceed four years, and election to defer principal repayment must be made at the time of signing the promissory note.

Payments begin approximately 30 days after the disbursement of funds.

WHAT ARE MY MONTHLY PAYMENTS?

The following charts show the monthly payment required per $1,000 borrowed. The first chart shows payments with deferral of principal, the second without deferral of principal.

Monthly Payment Required Per $1,000 Borrowed, With Principal Deferred for First Four Years—15 Years

Rate	1st 4 Years	Beginning 5th Year
10.00%	$8.22	$15.85
10.50%	8.63	16.26
11.00%	9.04	16.67
11.50%	9.45	17.08
12.00%	9.86	17.49
12.50%	10.27	17.90

Monthly Payment Required Per $1,000 Borrowed, Interest and Principal Payments—15 Years

Rate	Principal Payment	Interest Payment	Total Monthly Payment
10.00%	$5.59	$8.22	$13.81
10.50%	5.59	8.63	14.22
11.00%	5.59	9.04	14.63
11.50%	5.59	9.45	15.04
12.00%	5.59	9.86	15.45
12.50%	5.59	10.27	15.86

WHEN ARE PAYMENTS DUE?

Payments of interest only or of principal and interest are due monthly. The borrower will receive a monthly billing statement.

WHAT HAPPENS IF PAYMENTS AREN'T MADE?

If the borrower or cosigner fails to make payment when due, or fails to comply with the terms of the promissory note, the note holder may take necessary actions to enforce the terms of the promissory note.

If the borrower does not make a loan payment when due, a late fee of 5% of the amount of the payment due will be charged. When the payment is more than 120 days late, and the borrower fails to comply with the terms of the note, the loan is in default.

HOW DO I APPLY?

Obtain an application kit from your school's financial aid office or call 1-800-SOS-LOAN.

Fill out the application and promissory note. Complete instructions are included in the application.

Attach a copy of your most recent signed federal income tax return (Form 1040, with all schedules filed), W2 Form, or other acceptable document listed in the application, and other required documentation.

Include a check or money order for $55 payable to P.L.A.T.O.: The Classic Student Loan.

Mail completed application to:
P.L.A.T.O.: The Classic Student Loan
205 Van Buren Street, Suite 200
Herndon, VA 22070

Questions should be directed to P.L.A.T.O.'s Loan Consulting Service at 1-800-SOS-LOAN.

We look forward to receiving your loan application.

POLICY ON EQUAL OPPORTUNITY

The program and its participants do not discriminate against any person on the basis of race, color, religion, sex, marital status, national origin, age, handicap, or veteran status. This policy covers all programs, services, policies, and procedures of the program.

P.L.A.T.O.

1-800-SOS-LOAN

P.L.A.T.O.℠, The Classic Student Loan

Highlights and Facts

15 007000

P.L.A.T.O.℠, The Classic Student Loan is a program designed specifically to help students and their families finance the costs of education. P.L.A.T.O.℠ loans feature high loan limits, long payback terms and competitive interest rates. College is expensive no matter what your family's income. That is why P.L.A.T.O.℠, The Classic Student Loan is an ideal program for middle and upper income families who don't qualify for need based financial aid or who require cash for college.

WHO IS ELIGIBLE?

BORROWER:

1. Loan eligibility is determined through an evaluation of the Borrower's and/or Cosigner's income and payment obligations, assets, liabilities, and credit report(s).
2. Student, parents, or any other financially responsible person(s) who is borrowing on behalf of a student is eligible to apply for a P.L.A.T.O.℠ loan. The person(s) on whose credit the loan is based [Borrower(s) or Cosigner(s)] must be a U.S. citizen or permanent resident alien of the United States.
3. The person(s) on whose credit the loan is based [Borrower(s) or Cosigner(s)] must be currently receiving at least $15,000 annually from all sources. Any employed person must be employed at least one year (12 consecutive months) at his/her present or any previous job.
4. The Borrower(s), and Cosigner(s) if any, must be at least 18 years of age at the time of application (19 if residing in Alabama, Nebraska and Wyoming; 21 if residing in Mississippi and Puerto Rico).

STUDENT:

Students must be accepted for enrollment or currently enrolled full-time or part-time (as defined by the school) in an accredited college, university or private secondary school (grades 9-12). P.L.A.T.O.℠ loans may be used for secondary, undergraduate, graduate and professional education purposes. In addition, P.L.A.T.O.℠ loans may also be used at certain approved proprietary schools.

HOW MUCH CAN YOU BO

1. You may borrow from $1,500 to $25,000 per year. A maximum of $100,000 may be borrowed by any individual Borrower.
2. Loans are made for the costs of attending school, including tuition, fees, room and board, transportation, books, personal expenses, supplies, computers, and other related expenses. *Complete a separate application when applying for more than one student or more than one school year.*
3. If the Borrower does not qualify for the full amount requested based on the credit review, a counteroffer may be made for a lesser amount. P.L.A.T.O.℠ will notify the Borrower of the amount he or she is qualified to borrow.

WHAT ARE THE BORROW

1. Loans bear a variable interest rate based on the Commercial Paper Rate plus 3.65%. The Commercial Paper Rate used is the average of the higher of the 30 or 90-day per annum rate, as reported during the preceding monthly period in *The Wall Street Journal*. Any changes in the interest rate charged on the loan will take effect monthly and will be shown on your monthly bill.
2. Loan Origination Fees of 4.0% will be deducted prior to disbursement of the loan check. For example, a borrower approved for a $7,000 loan will receive a check for $6,720. These fees pay program costs and administrative fees.
3. There is a non-refundable application processing fee of $55.00 at the time the application is submitted.

WHEN WILL YOU RECEIVE

P.L.A.T.O.℠ utilizes state of the art computer technology for processing applications, but we cannot process your application if it is incomplete.

- Apply early. Do not wait until the last minute to submit your application. *You can apply at any time during the year.*
- Be sure that all the information on your application is complete, legible, and that all questions are answered accurately. Both the application and promissory note must be signed and dated. Be sure to send all the requested documents (see Instructions) together with your application, application fee, and promissory note in the envelope provided.

If you meet the credit requirements for your loan request, a check will be mailed in approximately 2 to 4 weeks for the approved loan amount (less the loan origination fee to the Borrower's address indicated on the application. If proof of the student's enrollment is not attached to your application, the loan check will be made co-payable to the Borrower and the school and mailed to the Borrower's address.

NOTE: If the loan amount requested is higher than the amount you are eligible to borrow based on the credit review or cost of education, the Borrower will be notified regarding the approved counteroffer amount.

WHEN DO YOU REP

The repayment of your P.L.A.T.O.℠ loan is spread over 15 years, but you may repay the loan in part or in full at any time without a prepayment penalty. Monthly repayment begins approximately 30 days after the check disbursement date. The Borrower will receive a monthly statement indicating the amount currently due which is calculated by adding (1) the amount of the principal due, based on whether or not you have elected to defer principal repayment (see deferred repayment below), and (2) the amount of accrued interest on the outstanding principal balance based on the current interest rate. The repayment options under the P.L.A.T.O.℠ program are:

- **Immediate Principal Repayment.** Repayment of principal begins with the first scheduled billing. Principal is repaid in equal installments over 15 years (179 payments).
- **Deferred Principal Repayment** (interest only payments during the deferment period): A borrower may elect on the application and promissory note to make payments of interest only during the time that the student is in school, for a period not to exceed four years. The option to defer principal payments is not available to students enrolled at a preparatory (private secondary) school.

OTHER SPECIAL FEATURES

1. P.L.A.T.O.℠ loans may be used to pay the student's costs for the current academic year as well as outstanding balances for costs incurred by the student at an institution from previous enrollment periods provided that the student is enrolled at the time of application.
2. P.L.A.T.O.℠ loans are unsecured. Unlike home equity loans, P.L.A.T.O.℠ loans do not require any collateral, such as a mortgage on a home or a lien on property interests.
3. P.L.A.T.O.℠ is a national, non-profit program, established by education and business leaders to provide financing for education.
4. P.L.A.T.O.℠ is not a federal program. This program is not subject to Title IV of the Higher Education Act of 1965, as amended. This means you do not have to contend with the application requirements of the Stafford Student Loan (GSL) Program or other federal loan programs.

[illegible]

P.L.A.T.O.™ The Classic Student Loan

Instructions for Completing
Application/Promissory Note

Please read the following information carefully to ensure accuracy when completing the attached forms. Be sure that all questions are answered correctly since errors will delay the processing of your application. To provide quick processing of your application, it is important that you follow these instructions exactly. *When completing all forms be sure to type or print legibly using a ball point pen.* Do not separate copies until all forms are completed and signed.

1. **Read all instructions** carefully before completing the attached forms. **Please note that each Student requires a separate loan application.**
2. Follow the instructions on the back of the Borrower Application (and Cosigner Application) to complete the form. Borrower(s) [and Cosigner(s)] should **sign and date the Application(s)** and retain their respective copies.
3. Follow the **Promissory Note** instructions below to complete, sign and date the **Promissory Note** form. Borrower(s) and Cosigner(s) should retain their respective copies.
4. Attach a **signed copy of the most recent Federal Tax Return as filed** for the Borrower(s) and Cosigner(s). If these forms are unavailable, refer to the instructions for other acceptable income verification documents.
5. Attach a copy of the **student's proof of enrollment.** Acceptable items are an enrollment letter, a copy of tuition bill/receipt or a legible copy of a current student ID card.
6. Write a **check for $50.00 payable to P.L.A.T.O.™, The Classic Student Loan** for the application processing fee.
7. Mail the **original copies of the Application(s), Promissory Note** and **copies of Federal Tax Return(s), proof of enrollment** and any other applicable documents along with the application fee check in the envelope provided to:

[redacted], The Classic Student Loan
805 Van Buren Street, Suite 200
Herndon, Virginia 22070

PROMISSORY NOTE

All parties signing the Promissory Note must read both sides prior to signing.

1. Print the Borrower(s) name(s) and social security number(s).
2. If there is a Cosigner(s) print the Cosigner(s) name(s) and social security number(s).
3. Enter the requested loan amount on the application (Item 30) in both numerical and literal format. (For example: $7,250.00: Seven Thousand Two Hundred Fifty and 00/100.)
4. All Borrower(s) and Cosigner(s) if any, must sign and date the promissory note.

   If a Cosigner(s) is signing the loan, the Cosigner must complete any applicable blanks on the Notice to Cosigner(s) form and deliver it to the Cosigner(s) to read before the Cosigner(s) signs the Cosigner Application form and Promissory Note. The Cosigner(s) should retain this form.
5. Circle the appropriate option of Deferment of Principal you indicated in Item 31 (Repayment Option) on the Application Form.

If the promissory note contains any changes, additions or corrections, the promissory note will be considered unacceptable and void. If the promissory note is not acceptable, we will send you a new promissory note to be completed and signed. This will delay the disbursement of your loan check.

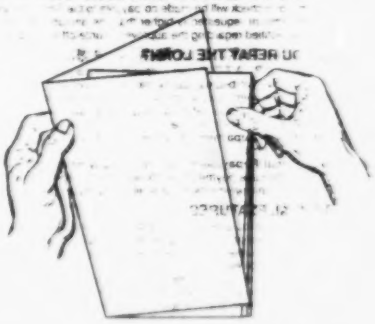
THIS BOOKLET CONTAINS:

1. Highlights and Facts and Instructions
2. Borrower Application (in duplicate)
3. Notice to Cosigner
4. Cosigner Application (in duplicate)
5. Promissory Note (in triplicate)
6. Return envelope

In order to complete the applications and note, first remove them by tearing along the perforation where indicated.

If you have questions, at any time during the loan application process, please call:

1-800-SOS-LOAN



BEST COPY AVAILABLE

P.L.A.T.O.℠, The Classic Student Loan
Borrower Application

15

087228

BEFORE COMPLETING THIS APPLICATION: REMOVE THIS FORM FROM BOOK AND READ INSTRUCTIONS ON REVERSE SIDE

BORROWER | **COBORROWER**

INCOME (ATTACH COPY OF MOST RECENT FEDERAL TAX RETURN AS FILED OR SEE INSTRUCTIONS)

	Borrower	Coborrower
☐ GROSS SALARY ☐ COMMISSIONS	$	$
☐ INTEREST/DIVIDENDS ☐ RENTAL INCOME	$	$
☐ SOCIAL SECURITY ☐ PENSION/ANNUITIES ☐ VA BENEFITS	$	$
☐ OTHER * (SPECIFY)	$	$
TOTAL ANNUAL INCOME	$	$

ASSETS (SEE INSTRUCTIONS)

	Borrower	Coborrower
☐ CASH/SAVINGS ☐ STOCKS/BONDS	$	$
☐ RETIREMENT FUNDS	$	$
☐ PRIMARY RESIDENCE (RENTERS WRITE ON $0.00)	$	$
☐ OTHER * (SPECIFY)	$	$
TOTAL ASSETS	$	$

LIABILITIES AND EXPENSES (LIST ALL RESPONSIBILITIES OF BORROWER AND COBORROWER SEPARATELY. IF NECESSARY, USE A SEPARATE PAGE FOR ADDITIONAL CREDITORS.)

NUMBER OF DEPENDENTS LIVING WITH BORROWER AND/OR COBORROWER

☐ SUBSCRIBES ☐ RENTS OR OWES (LIST LANDLORD)	DESCRIPTION	CREDITOR	ACCOUNT NUMBER	MONTHLY PAYMENT	CURRENT BALANCE
			TOTAL LIAB. & EXPENSES		

STUDENT INFORMATION

SCHOOL INFORMATION

LOAN AMOUNT

A. TUITION, FEES AND BOOKS	$
B. ROOM AND BOARD	$
C. *COMPUTER (MAX. $3,000.00)	$
D. OTHER (SPECIFY)	$
E. TUITION AND OTHER EXPENSES FOR PREVIOUS YEAR(S)	$
F. SUBTOTAL (ADD "A" THRU "E")	$
G. LESS FINANCIAL AID	$
H. TOTAL (SUBTRACT "G" FROM "F")	$
I. LOAN AMOUNT (Divide "H" by 0.960) (including Loan Origination Fee)	$

I HAVE READ, UNDERSTAND, AND AGREE TO THE TERMS OF THE BORROWER CERTIFICATION PRINTED ON THE REVERSE SIDE OF THIS APPLICATION.

Signature Date Signature Date

* SEE INSTRUCTIONS ON REVERSE SIDE FOR QUALIFICATION REQUIREMENTS.
ALIMONY, CHILD SUPPORT OR SEPARATE MAINTENANCE INCOME NEED NOT BE REVEALED IF YOU DO NOT WANT TO HAVE IT CONSIDERED FOR INCOME FOR THIS APPLICATION.

ORIGINAL

REMOVE FROM BOOK ALONG THIS PERFORATION BEFORE COMPLETING

BORROWER APPLICATION

P.L.A.T.O.™, The Classic Student Loan

Borrower Application Instructions

To be completed by the person(s) who is obtaining the loan and will be obligated to repay the loan. The person(s) can be the student, a relative, or other financially responsible person(s) willing to borrow money on behalf of a student. If the Borrower(s) believe a Cosigner(s) is necessary to strengthen the application, then Cosigner(s) must complete the Cosigner Application.

BORROWER(S) INFORMATION

Item 1: Student Borrower - Check 'box # Borrower is the Student.

Item 2: Social Security Number - Print your social security number. If you do not have a social security number because you are not a United States citizen or permanent resident alien, the loan request will not qualify under the P.L.A.T.O.™ loan guidelines and the application should not be submitted. If you are applying with a Cosigner who is a United States citizen or permanent resident alien, your loan application does qualify under the P.L.A.T.O.™ loan program guidelines and the application may be submitted.

Item 3: Date of Birth - Print the month, day and year of your birth. *Use numbers only.* The Borrower(s) must be at least 18 years of age at the time of application (19 if residing in Alabama, Nebraska, or Wyoming, 21 if residing in Mississippi or Puerto Rico) to qualify under P.L.A.T.O.™ loan guidelines. If any Borrower does not meet this requirement (other than an ownership individual(s) who meet this and other program guidelines must apply as Borrower(s).

Item 4: Name - Print your last name, first name, and middle initial. Use your full legal name (no nicknames).

Item 5: Permanent Address - Print your permanent home address and years of residency. Include your street address, RFD or post office box on one line, city, state and zip code (if applicable). A temporary or military address IS NOT acceptable. If Coborrower is not using the same address as Borrower, then Coborrower must apply as Cosigner.

Item 6: Mailing Address - Indicate your billing address if it is different from your permanent address. Please be accurate because this address will be used to mail your loan check and all correspondence.

Item 7: Telephone Number - Enter your permanent home telephone number (include your area code). If you do not have a telephone, you must list a telephone number where you can be reached.

Item 8: Citizenship - You must indicate if you are a citizen or permanent resident alien of the United States. Indicate 'Yes' if you are a U.S. citizen, a permanent resident of the Northern Mariana Islands, the Trust Territory of the Pacific Islands or a U.S. National (a citizen of American Samoa or Swains Island).

If you are a U.S. permanent resident alien with an Alien Registration Receipt Card (I-151 or I-551), or an eligible alien with a Departure Record (I-94) from the U.S. Immigration and Naturalization Service that say 'refugee', 'asylum granted', 'indefinite parole' 'humanitarian parole' or 'Cuban Haitian entrant', indicate 'Yes' and give the I.D. number from the appropriate document in the space provided. If you are applying with a Cosigner who is a United States citizen or permanent resident alien, your loan application does qualify under the P.L.A.T.O.™ loan program guidelines and the application may be submitted. If the Borrower indicates 'No' and there is no Cosigner, the loan request will not qualify under the P.L.A.T.O.™ loan program guidelines and the application should not be submitted.

Item 9: Bankruptcy - You must indicate if you have filed for bankruptcy within the last six years. If the Borrower(s) indicates 'Yes', the loan request will not qualify under the P.L.A.T.O.™ loan program guidelines and the application should not be submitted.

Item 10: Prior Default - You must indicate here if you have ever defaulted on a student loan. A default means that you have been more than 120 days late in making a payment on a loan, or that a claim has been paid to your lender on your behalf. If the Borrower(s) respond 'Yes', the loan request will not qualify under the P.L.A.T.O.™ loan program guidelines and the application should not be submitted.

Item 11: Employer - List your present employer's name, full address, including suite number, city, state and zip code and indicate full time or part time employment. If you are Self-Employed or Retired, indicate here. Include your daytime area code and telephone number.

Items 12 & 15: Years - Enter the number of years you have worked for the employer listed in Items 11 & 14 respectively. The Borrower(s), unless retired, must be employed at least one year with present or any previous employer to qualify under the P.L.A.T.O.™ loan program guidelines. If you do not meet this requirement, you will need a Cosigner who meets this and other program guidelines.

Items 13 & 16: Position - Enter your title or position with the employers listed in Items 11 and 14 respectively.

Item 14: Previous Employer - List your previous employer's name, address and telephone number.

Item 17: Reference - List the name, address, and home telephone number of your nearest living relative residing in the United States other than the Cosigner(s). Borrower(s) and Cosigner(s) should have different references.

INCOME*

Item 18: Income Source and Amount - List amounts and sources of verifiable income. Include your gross annual salary and, in addition, list any additional stable recurring income such as commission income, interest and dividends, income from rental property, Social Security benefits, pension annuities, etc. Income that is not stable or is seasonal in nature such as seasonal or occasional overtime should not be included. The Borrower(s) whose credit the loan is based (Borrower(s) or Cosigner(s)) must be receiving at least $15,000 annually from all sources to qualify under the P.L.A.T.O.™ loan program guidelines. For each source of income listed which is not verifiable on your Federal Income Tax Return, you must attach to the application separate documents which verify the source and amount of income. Acceptable income verification documents are (one of the following):

- Federal Tax Form 1040 and all its variations and schedules
- Federal Tax withholding form W-2 or equivalent tax withholding form
- Federal Income Tax form 1099 (for interest income only)
- Signed State Income Tax form
- Social Security System Statement of Income/Benefits
- VA Statement of Disability/Retirement Income
- LES statement for active duty military or reserve officers
- Letter from employer
- Court order

If you are applying as an individual Borrower and filed a joint Federal Income Tax Return, then you must submit an individual income verification document.

Self-employed individuals must attach their most recent Federal Income Tax Return and all schedules including Schedule C. *Other income such as alimony, child support or separate maintenance income need not be revealed if you do not want to have it considered as income for this application.*

ASSETS*

Item 19: List the source and amount of *all assets* in excess of $100, such as bank (money), stocks, bonds, retirement funds (including thrift and Keogh(s) plans) and real estate (primary and other property). Add the amount of all assets listed and print the dollar amount.

LIABILITIES AND EXPENSES

Item 20: List *all* indebtedness in excess of $100, such as store and bank credit cards, bank, credit union and finance company loans, and/or leases, mortgage payments on principal residence and/or any other property including rental property, alimony, child support and separate maintenance. Use additional sheets if necessary. List the creditor, account number, *monthly payment and current unpaid balance*; indicate whether you own your home or rent. Enter the total dollar amount of your monthly payments, and current unpaid balances.

STUDENT INFORMATION

Item 21: Social Security Number - Print the student's social security number. If the student does not have a social security number enter N/A.

Item 22: Name - Print the student's last name, first name, and middle initial. Indicate student's state of residency.

Item 23: Date of Birth - Print the month, day, and year of the student's birth. Use numbers only.

SCHOOL AND LOAN INFORMATION

Item 24: School - Enter the full name of the school without abbreviation. List the address and telephone number.

Item 25: School Year - Enter the dates for the school term for which the application for the loan applies. If the requested loan amount includes amounts for previous year(s) then you must attach tuition receipts or bills for those periods.

Item 26: Enrollment - Check the enrollment status (as defined by the school) for the loan period. *Attach a copy of the student's proof of enrollment.* Acceptable items are: Enrollment letter, Tuition Bill/Receipt, and Current Student ID Card.

Item 27: Grade Level - Enter the student's grade level during the loan period. (It does not matter if the student will use the loan for only part of the school year.)

00 - preparatory (private secondary, grades 9-12)	06 - first year graduate
01 - first year undergraduate (freshman)	07 - second year graduate
02 - second year undergraduate (sophomore)	08 - third year graduate
03 - third year undergraduate (junior)	09 - fourth year graduate
04 - fourth year undergraduate (senior)	10 - beyond fourth year graduate
05 - fifth year undergraduate	

Item 28: Disbursement Date - Enter the date you desire to have your check disbursed. If you do not indicate a date your loan check will be disbursed immediately upon approval. *Note: The disbursement date must be within 90 days of the date your application is received by P.L.A.T.O.™.*

Item 29: Anticipated Graduation Date - Enter the expected graduation date.

Item 30: Loan Amount - Enter the loan amount requested for tuition and fees, room and board, computer *(an invoice or purchase order for the cost of the computer must be attached; maximum $3,000.00)* and other related expenses. Include out-of-state tuition, if applicable, living and transportation expenses. *If you indicate any amount for previous years' tuition and expenses, then you must attach a copy of the bills outstanding covering those years.* If the loan amount you request is higher than the amount you are eligible to borrow based on the credit review, a new promissory note will be mailed to the borrower's address for the approved amount.

Item 31: Repayment Option - Check the appropriate box to indicate whether you want to defer either for the immediate repayment of the principal or on a deferred basis for repayment of the principal.

Immediate Principal and Interest Repayment - Repayment of principal and interest begins with first scheduled billing.

Deferred Principal Repayment - Borrower may elect to pay interest only prior to Graduation Date indicated in Item 29 or four (4) years from the date of the disbursement check whichever period is less. Repayment of principal and interest will begin on the following month after the deferment period.

BORROWER'S CERTIFICATION

You must sign and date this application in the space provided. Before you sign, carefully review the certification that is printed below. When you sign your name, you are agreeing to what the certification says.

I certify that everything that I have stated in this application is correct and true to the best of my knowledge. I understand that the Lender will retain this application whether or not is approved. I authorize the Lender to check my credit and employment history and to answer questions about the Lender's credit experience with me. I further authorize the release of this application and any attachments to the agent of the Lender or any subsequent Note Holder for the purpose of making and servicing and collecting this loan. I certify that the proceeds of any loan made as a result of this application will be used for educational purposes at the educational institution named on this form. I understand that the Lender may make the loan check payable to the borrower(s) and the educational institution.

Notice to married Wisconsin residents: No provision of any marital property agreement, unilateral statement, or court decree, whenever effective, affects the interests of the creditor, unless the creditor joins in the agreement or is furnished a copy of the agreement, statement or decree or has actual knowledge of the provision.

BEST COPY AVAILABLE

PROMISSORY NOTE

1. Promise to Pay

In return for the Loan that I/we will receive

I/we _____ SSN# _____ and

_____ SSN# _____

the Borrower(s), and

I/we _____ SSN# _____ and

_____ SSN# _____

the Cosigner(s), jointly and severally promise to pay to the order of Norwest Bank South Dakota, N.A. (the "Lender"), the Principal Sum of U.S. $ _____ (the "Principal Sum"), to the extent it is advanced to or on behalf of the Borrower, to pay interest thereon as set forth below in this section entitled Interest, to pay the Loan Origination Fees as set forth in this section below and to pay all late charges, reasonable attorney's fees, and other costs and charges necessary for the collection of any amount not paid when due. Payments on this Note shall be made on behalf of the Lender to the Servicer at the Servicer's address set forth below or as otherwise requested by the Lender. If not sooner paid, the entire outstanding principal balance, accrued interest and fees and costs, if any, shall be due and payable in full 179 months from the first monthly due date as described in section 7 below.

2. Disbursement

If the application for the loan evidenced by this Note is approved and there is sufficient proof of enrollment for the student, the loan disbursement check shall be payable solely to the Borrower(s), and mailed to the Borrower(s). If the application for the loan evidenced by this Note is approved and there is no proof of enrollment for the student, the loan disbursement check shall be made co-payable to the Borrower(s) and the school at which the student is enrolled and mailed directly to the Borrower(s).

The loan disbursement check may be co-payable to the Borrower(s) and the School and shall be accompanied by the disclosures required by the federal Truth-in-Lending law. By endorsing the loan disbursement check, the Borrower(s) will be acknowledging receipt of the Truth in Lending disclosures.

The Borrower(s) and the Cosigner(s) are contractually obligated on this Note only if the loan disbursement check is endorsed or otherwise cashed or deposited. If the loan disbursement check is not cashed or deposited within 30 days of the date on the check, the loan disbursement check may be cancelled and a new application may be required before a second loan disbursement may be issued.

3. Interest

Interest accrues on the outstanding principal balance of this Note beginning on the date of the loan disbursement check (the "Loan Disbursement Date") and ending on the day prior to the date this Note is paid in full. Such interest shall be payable each month and shall accrue on a daily basis at a variable per annum rate (calculated on the basis of a year of 365 or 366 days, as appropriate) for the actual number of days elapsed) equal to the Commercial Paper Rate, as defined below, plus 3.85 percentage points per annum. The interest rate charged on this Note may increase if the Commercial Paper Rate increases. The interest rate charged on this Note may also be increased in the Lender's or its Assignee's discretion if increases occur in the costs associated with the administration of the P.L.A.T.O.™ student loan program under which this loan is made. However, the interest rate charged on this Note will not increase to more than 9.1 percentage points per annum above the Commercial Paper Rate. The Lender or its Assignee will notify the Borrower(s) of any increased rate resulting from such increased costs at least 30 days prior to the effective date of the increased rate due to such increased costs.

The Commercial Paper Rate shall be calculated by taking the average of the higher of the 30-day or 90-day per annum rate on commercial paper as reported during the preceding monthly period in The Wall Street Journal on each day that The Wall Street Journal publishes per annum commercial paper rates for 30-day or 90-day high grade unsecured notes sold through dealers by major corporations in multiples of $1,000. Any change in the interest rate charged on this Note will take effect on the fifth business day of each calendar month and shall remain in effect until further changed.

In the event that the reporting of the Commercial Paper Rate is discontinued or substantially altered, the Lender or its Assignee, may at its option, choose another reasonable comparable index. If this happens, the substitute index will be considered to be the Commercial Paper Rate under this Note. However, it may be necessary to further adjust the number of percentage points above the substituted index in determining the interest rate to be charged on this Note.

In no event will the interest rate charged exceed the maximum interest rate that the Lender, as a national bank located in the State of South Dakota, may charge.

4. Loan Origination Fees

The Borrower(s) and the Cosigner(s) will pay Loan Origination Fees. The Fees equal four percent (4.0%) of the Principal Sum of the Note as set forth above and is assessed only once. The Principal Sum of the Note equals the amount of the loan disbursement check plus the Loan Origination Fees. The Borrower(s) and Cosigner(s) understand that because they are paying the Loan Origination Fees they are paying interest on [illegible] Therefore, they are paying more than the Loan Origination Fees.

5. Election of Deferment of Principal

The Borrower(s) does, does not (circle appropriate choice) elect to have deferment of the repayment of principal apply. For commercial loans, making no election, deferment of repayment of principal shall not apply. Deferment of the repayment of principal is only available when the Borrower, or the student on whose behalf this loan is made, is a student at a qualified post-secondary educational institution. Interest shall accrue and be payable monthly during any deferment period.

6. Amount of Principal Due Deferment of Principal

Deferment of principal may be available for a period of time not exceeding four years if the Borrower or the student on whose behalf the loan is made, continues to attend a qualified educational institution.

If the Borrower(s) has not elected or has not qualified for deferment of principal, the amount of principal due each month shall be equal to 1.1765 of the Principal Sum.

If the Borrower(s) has elected and has qualified for deferment of principal, repayment of principal on this Note may be deferred for a period not to exceed four years from the Loan Disbursement Date so long as the Borrower, or the student on whose behalf the loan is made, as the case may be, remains enrolled in a qualified educational institution. The amount of principal due each month during any such deferment period shall be zero. However, interest shall accrue and be payable monthly during any such deferment period.

The deferment period will expire on whichever of the following events shall first occur: (1) when the Borrower, or the student, as the case may be, ceases to be enrolled in a qualified educational institution or (2) at the expiration of four years from the Loan Disbursement Date. After the deferment period expires, the amount of principal due each month shall be calculated by dividing the then outstanding principal balance by the number of months remaining. The number of months remaining shall be determined by subtracting the number of months that have elapsed since the Loan Disbursement Date from 179.

7. Repayment

Repayment shall be made in monthly installments over a 15 year period from the Loan Disbursement Date. The Borrower(s) will receive a monthly statement indicating the amount of the monthly installment due. The first monthly installment will include interest accruing on the Principal Sum from the Loan Disbursement Date. The first monthly installment will be due within 90 days but not less than 30 days following the Loan Disbursement Date. Thereafter, payments shall be made monthly, due on the same day of the month as the first payment was due. The amount of each monthly installment due shall be calculated by adding: (1) the amount of principal due, as determined under section 6 above, and (2) the amount of interest estimated to be due on the payment due date based on the then current rate of interest on the Note.

Payments received shall be allocated in the following order: (1) to late charges and expenses of the lender in connection with collecting any past due amounts, if any; (2) to accrued interest; and (3) to outstanding principal.

8. No Binding Contract Until Endorsement

The loan disbursement check will be accompanied by Truth in Lending disclosures. The Truth in Lending disclosures should be read and retained by the Borrower(s) before the loan disbursement check is endorsed. The Borrower(s) and Cosigner(s), (if any) is not obligated on this Note until the Borrower(s) endorses the loan disbursement check.

Please turn over, continued on reverse side ⇒

Borrower(s)

I/we hereby acknowledge that I/we have read both sides of this Promissory Note in their entirety, understand it and agree to be bound by its terms.

Please sign your name(s) exactly as it/they are printed above.

Signature of Borrower _____ Date _____

Signature of Borrower _____ Date _____

Cosigner(s)

I/we hereby acknowledge that I/we have received the federal Notice to Cosigner or the applicable state Notice to Cosigner, and have read it and understand it. I/we hereby acknowledge that I/we have read both sides of this Promissory Note in their entirety, understand it and agree to be bound by its terms.

Signature of Cosigner (if any) _____ Date _____

Signature of Cosigner (if any) _____ Date _____

Lender:
Norwest Bank South Dakota, N.A.
Norwest Student Loan Center
Sioux Falls, SD 57117

Servicer:
First Albahnow Student
Financial Services, Inc.
P.O. Box 2601
Winston Salem, NC 27102

ORIGINAL

PROMISSORY NOTE

ADDITIONAL TERMS OF THE PROMISSORY NOTE (Continued from Other Side)

9. Refund for Non-Attendance

The Borrower(s) and the Cosigner(s) agree that any education institution may, in accordance with its refund policies, pay directly to the Servicer or such person or entity as the Lender directs, the amount of any refund of tuition fees or other expenses paid from the proceeds of this Note. The Borrower(s) and the Cosigner(s) further agree that the Borrower(s) (or the student on whose behalf the loan is made) or the Cosigner(s) will immediately deliver to the Servicer, or to such entity as the Lender directs, along with a written explanation, the amount of any such refund of tuition fees or other expenses that the Borrower(s) (or the student on whose behalf the loan is made) or the Cosigner(s) may receive.

The Servicer or Lender shall apply any such refund to the amounts then owing under this Note. If the amount of the refund exceeds the amount necessary to pay in full the amounts then owing on this Note, the Servicer or the Lender will return the excess to the Borrower(s). Where there are several sources of financial aid received by the student on whose behalf this loan is made for the costs of tuition, fees and other expenses of the student's attending the educational institution for an given term, the portion of the refund to be paid to the Servicer or the Lender shall be calculated by multiplying the total refund from the school by a fraction, the numerator of which is the amount of the Principal Sum received for that term and the denominator of which is the total of the financial aid (including the Principal Sum) received by the student for that term. A failure to complete the educational program undertaken by the student does not relieve the Borrower(s) or Cosigner(s) of the obligation contained herein or pursuant to this Promissory Note.

10. Prepayment

The Borrower(s) and the Cosigner(s) may prepay this Note, in whole or in part, without premium or penalty, if prepayments received were not designated as prepayments by the persons prepaying, the effect shall be to reduce the total principal amount outstanding on this Note. If prepayments received were designated as prepayments by the persons prepaying, the effect shall be first to refer up to four regular monthly payments and then to reduce the total principal amount outstanding on this Note.

A prepayment will be considered a full prepayment only if all outstanding amounts owing hereunder, including late charges, costs and expenses of collection, interest to the date of prepayment and outstanding prepayments have been paid in full. Upon prepayment, the Borrower(s) and Cosigner(s) will not receive a refund of any portion of the Loan Origination Fees.

11. Late Charge

If this promissory Note is not paid in accordance with its terms, the Holder reserves the right to, in lieu of its option charge and the Borrower(s) and/or the Cosigner(s) may pay a late charge for each payment delinquent for a period of more than 15 days of an 5% of each payment delinquent: (b) $5.00 with respect to each payment delinquent or (c) the greater of the amounts described in (a) or (b).

12. Default and Acceleration

The entire outstanding Balance and any interest accrued hereon and any other amounts the Borrower(s) and Cosigner(s) have made through the Lender's [illegible] under which this loan is made shall become immediately due and payable at the option of the Lender, without notice or demand, together with all costs of collection and reasonable attorney's fees, if Borrower(s) and Cosigner(s) shall be in default.

Borrower(s) and Cosigner(s) shall be in default if any one of the following events occurs:

a. A scheduled payment is not made within 30 days of the scheduled payment date on this loan or any related loan to the Borrower(s) under this loan program.

b. (1) The Borrower dies, the Borrower is adjudicated incompetent, voluntary or involuntary bankruptcy proceedings are instituted by or against the Borrower or the Borrower makes an assignment for the benefit of creditors, or (2) any one of these events occur, but in respect of one or both Cosigner(s).

c. Any statement or representation on the Borrower's application for the loan evidenced by this Note is materially untrue, incorrect or incomplete.

d. Any Borrower or any Cosigner fails to perform any agreement contained in this Note.

e. The Borrower fails to promptly notify the Servicer or such other person as the Lender directs, in writing, of (i) any change of their name or address, and (ii) Borrower(s) (or Student's as the case may be) transfer, withdrawal or graduation from school or the program in which the Borrower or the Student is enrolled. Any Cosigner fails to promptly notify in writing, the Servicer or such person as the Lender directs, of any changes of their name or address. Notice is deemed prompt if received within 30 days of the above mentioned change.

Failure to receive a monthly statement does not relieve the Borrower(s) or the Cosigner(s) of their responsibility and obligation of making the required loan payments in accordance with the terms and conditions of this Promissory Note.

Acceptance of any payment, in whole or in part, of amounts in arrears shall not waive or affect any prior accelerations of this Note. The Borrower(s) and the Cosigner(s) hereby jointly and severally **waive** notice of dishonor, notice of protest, presentment, demand for payment, and all other notices or demands in the event of default on this loan and agree to consent to any and all extensions, renewals, or releases of any party liable upon the loan or any other loans the Borrower(s) has outstanding through the Lender's loan program under which this loan is made, or waiver and modification that may be granted by the Lender, all without affecting or varying the Borrower's or the Cosigner(s) upon such loan.

The Borrower(s) and the Cosigner(s) agree to pay the Lender immediately upon request of as Months and payment, including reasonable attorney's fees and court costs, incurred by the Lender to the extent not prohibited by applicable law.

13. Representations

The Borrower(s) and the Cosigner(s) represent that the Borrower (or the student on whose behalf the loan is made, as the case may be) is or is about to become a student at the school and that the proceeds of this Note will be used solely for tuition and other reasonable education and living expenses including, but not limited to, room and board, fees, books, computers, supplies and equipment, laboratory expenses, transportation and commuting costs, and personal expenses.

If the Borrower(s) and the Cosigner(s) seek deferment of repayment of principal the Borrower(s) and the Cosigner(s) further represent that the School is a post secondary educational institution.

14. Credit Bureau Notification

Information concerning the amount of this loan and its repayment will be reported to one or more credit bureaus.

If the Borrower(s) and/or Cosigner(s) default on this loan the Lender or Holder will also report the default to the credit bureau(s).

This may significantly and adversely affect the Borrower(s) and or Cosigner(s) ability to obtain other credit.

15. General Representations

The proceeds of this note will be used solely for tuition and other reasonable education and living expenses including, but not limited to room and board, fees, books, computers, supplies and equipment, laboratory expenses, transportation and commuting costs, and personal expenses.

The Borrower(s) shall promptly notify the Servicer or such other person as the Lender directs of in writing of any change of name or address and of the Borrower's (or the student's, as the case may be) transfer, withdrawal or graduation from school or the program in which the Borrower or student is enrolled. Each Cosigner shall promptly notify, in writing, the Servicer or such other person as the Lender directs, of any change in name or address.

[illegible] hereof shall be held invalid or unenforceable, such provision shall be severable herefrom and shall be deemed omitted herefrom without affecting the validity or enforceability of the remainder of this Note.

No waiver or provision of this Note may be changed unless consented to in writing by the parties.

The terms and conditions contained herein apply to and bind the successors and assigns of the Lender.

The Borrower(s) hereby authorizes the Lender, without further notice to obtain the signature of any Cosigner. Borrower and each Cosigner authorize the Lender, without further notice to correct any patent errors herein.

Any application of the Borrower's application for the loan evidenced by this Note [illegible] or in South Dakota. This Note is being approved, made and [illegible] in South Dakota and shall be construed in accordance with and governed by the laws of South Dakota.

The Borrower(s) and Cosigner(s) signing this promissory note shall be jointly and severally liable hereunder.

If the name of the Cosigner does not appear herein, all references herein to the Cosigner shall be deemed omitted. If two names appear as Cosigner(s) herein all references to the Cosigner or to the Cosigner(s) shall apply jointly and severally to each person whose name appears as Cosigner(s) herein. If two names appear as the Borrower(s) herein, references to the Borrower or to the Borrower(s) shall apply jointly and severally to each person whose name appears as a Borrower herein.

The Lender reserves the right to assign its rights and duties under this Promissory Note without the consent of the Borrower(s) or the Cosigner(s).

The Borrower(s) and the Cosigner(s) will not assign their rights under this Note. The Lender may assign its rights under this Note. When the Lender notifies the Borrower(s) or the Cosigner(s) of any assignment, each Borrower and each Cosigner agree to make payments on this Note to the person or entity designated by the Lender.

16. Notice to the Borrower(s)

Do not sign this Note before reading it. Please retain the Borrower copy of this Note for your records.

If you have any questions or do not wish to obtain this loan, (1) do not cash the loan disbursement check and (2) contact the Lender at the address listed.

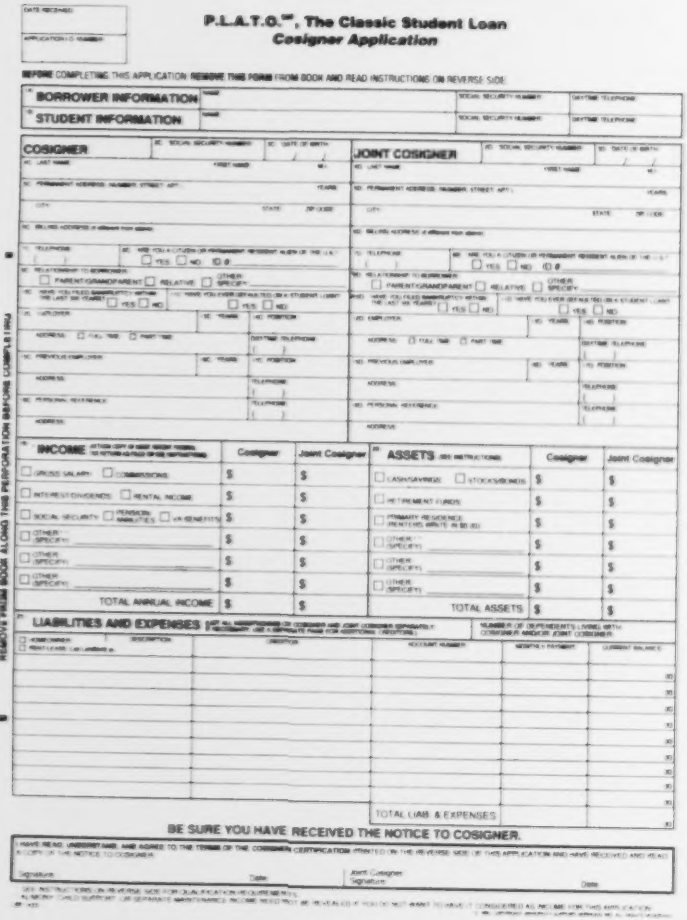
If the Borrower(s) elect(s) to cancel this loan without endorsing the loan check, no interest shall be charged.

17. Notice to the Cosigner(s)

Do not sign this Note before reading it. Please retain this Cosigner Copy of this Note for your records.

Each Cosigner is a guarantor of the debt evidenced by this Note. If the Borrower(s) does not pay this debt each cosigner individually is obligated to do so. The amount that each Cosigner is obligated to pay includes late charges, the lender's fees and expenses of collection, accrued interest and outstanding principal as well as any other charges that may be due and owing under this Note.

The Lender may collect the debt from each Cosigner without first attempting to collect from the Borrower(s). The Lender may use any legal method of collecting the debt such as filing a lawsuit or seeking garnishment of wages. The Lender is not required to notify any Cosigner when it has taken legal action. Such action will be noted as a part of each Borrower's credit record.



DATE RECEIVED

APPLICATION ID NUMBER

P.L.A.T.O.℠, The Classic Student Loan
Cosigner Application

BEFORE COMPLETING THIS APPLICATION: REMOVE THIS FORM FROM BOOK AND READ INSTRUCTIONS ON REVERSE SIDE.

BORROWER INFORMATION — NAME | SOCIAL SECURITY NUMBER | DAYTIME TELEPHONE

STUDENT INFORMATION — NAME | SOCIAL SECURITY NUMBER | DAYTIME TELEPHONE

COSIGNER — SOCIAL SECURITY NUMBER | DATE OF BIRTH

JOINT COSIGNER — SOCIAL SECURITY NUMBER | DATE OF BIRTH

INCOME (ATTACH COPY OF MOST RECENT FEDERAL TAX RETURN TO BACK OF THIS APPLICATION)	Cosigner	Joint Cosigner
GROSS SALARY / COMMISSIONS	$	$
INTEREST/DIVIDENDS / RENTAL INCOME	$	$
SOCIAL SECURITY / PENSION/ANNUITIES / VA BENEFITS	$	$
OTHER (SPECIFY)	$	$
OTHER (SPECIFY)	$	$
OTHER (SPECIFY)	$	$
TOTAL ANNUAL INCOME	$	$

ASSETS (SEE INSTRUCTIONS)	Cosigner	Joint Cosigner
CASH/SAVINGS / STOCKS/BONDS	$	$
RETIREMENT FUNDS	$	$
PRIMARY RESIDENCE (RENTERS, WRITE N/A)	$	$
OTHER (SPECIFY)	$	$
OTHER (SPECIFY)	$	$
OTHER (SPECIFY)	$	$
TOTAL ASSETS	$	$

LIABILITIES AND EXPENSES (LIST ALL MORTGAGES OR COSIGNED AND JOINT COSIGNER SEPARATELY. IF NECESSARY, USE A SEPARATE PAGE FOR ADDITIONAL LIABILITIES.) — NUMBER OF DEPENDENTS LIVING WITH COSIGNER AND/OR JOINT COSIGNER:

HOME/RENT/LEASE (INCLUDE #)	DESCRIPTION	CREDITOR	ACCOUNT NUMBER	MONTHLY PAYMENT	CURRENT BALANCE
					$
					$
					$
					$
					$
					$
					$
					$
			TOTAL LIAB. & EXPENSES		$

BE SURE YOU HAVE RECEIVED THE NOTICE TO COSIGNER.

I HAVE READ, UNDERSTAND, AND AGREE TO THE TERMS OF THE COSIGNER'S CERTIFICATION STATED ON THE REVERSE SIDE OF THIS APPLICATION AND HAVE RECEIVED AND READ A COPY OF THE NOTICE TO COSIGNER.

Signature | Date | Joint Cosigner Signature | Date

SEE INSTRUCTIONS ON REVERSE SIDE FOR QUALIFICATION REQUIREMENTS.

REMOVE FROM BOOK ALONG THIS PERFORATION BEFORE COMPLETING

COSIGNER APPLICATION

REMOVE THIS PERFORATED PAGE FROM BOOK AND FOLD ALONG PERFORATION BEFORE COMPLETING

P.L.A.T.O.™, The Classic Student Loan

Cosigner Application Instructions

[illegible] is requested by the Cosigner(s) if the Borrower(s) requires a Cosigner(s) is necessary to strengthen the application. If the Borrower(s) has no credit history or does not earn at least $15,000 annually, the Borrower(s) must have a Cosigner(s).

Item 1A: Borrower. Print Borrower's name, social security number and daytime telephone number as they appear on the Application form.

Item 1B: Student. Print student's name, social security number and telephone number as they appear on the Application form.

BORROWER INFORMATION

Social Security Number. Print your social security number. You do not have a social security number unless you are an alien lawfully admitted for permanent residence in the United States. Please be certain that your loan request and application are not denied under the P.L.A.T.O.™ loan guidelines because of an incorrectly submitted social security number.

Item 5: Date of Birth. Print the month, day and year of your birth. Borrowers must be at least 18 years of age at the time of application. Borrowers residing in Nebraska and Wyoming, 21 if residing in Mississippi and Puerto Rico, must be at least 19 years of age at the time of application to meet the P.L.A.T.O.™ loan guidelines. If you do not meet this requirement, you may need a Cosigner who meets this and other program guidelines.

Items 3 & 4: Name. Print your last name, first name and middle initial as they appear on your Social Security card. Any [illegible] should be indicated. Any Cosigner(s) as either [illegible] should be indicated. Any Cosigner(s) as either [illegible] should be indicated.

Mailing Address: Indicate your mailing address. Please be accurate because this is the address to which your loan check will be mailed.

Telephone Number: Enter your telephone number. If you do not have a telephone, enter the number where you can be reached.

Citizenship: You must indicate if you are a U.S. citizen or a permanent resident alien. If you are a U.S. citizen or a permanent resident alien with a Canadian address, you must indicate the Province

P.L.A.T.O.™, The Classic Student Loan

NOTICE TO COSIGNER

Federal
NOTICE TO COSIGNER

You are being asked to guarantee this debt. Think carefully before you do. If the borrower doesn't pay the debt, you will have to. Be sure you can afford to pay if you have to, and that you want to accept this responsibility.

You may have to pay up to the full amount of the debt if the borrower does not pay. You may also have to pay late fees or collection costs, which increase this amount.

The creditor can collect this debt from you without first trying to collect from the borrower. The creditor can use the same collection methods against you that can be used against the borrower, such as suing you, garnishing your wages, etc. If this debt is ever in default, that fact may become a part of your credit record.

This notice is not the contract that makes you liable for the debt. You will become obligated when you cosign the Promissory Note for the loan.

Unless you reside in one of the states below, the above notice must be read and understood before you sign the Promissory Note.

New York Residents
NOTICE

New York borrower(s) must complete this section.

You agree to pay the debt identified below although you may not personally receive any property, services, or money. You may be sued for payment although the person who receives the property, services, or money is able to pay. This notice is not the note, contract, or other writing that obligates you to pay the debt. Read that writing for the exact terms of your obligation.

IDENTIFICATION OF DEBT YOU MAY HAVE TO PAY

_____
(NAME OF BORROWER(S))

Norwest Bank South Dakota, N.A.
(THE LENDER)

_____
(DATE)

Private Student Loan (maximum $25,000)
(KIND OF DEBT) (LOAN REQUESTED)

I have been given a completed copy of this notice and of each writing that obligates me or the Debtor on this debt. My acknowledgement is on the Promissory Note.

Cosigner please retain for your records.

(C) [illegible] All rights reserved.

P.L.A.T.O.℠, The Classic Student Loan

Wisconsin Residents
EXPLANATION OF PERSONAL OBLIGATION

Wisconsin Borrower(s) must complete this section.

a. You have agreed to pay the total of payments under a consumer credit transaction between _____ (name of Borrower(s)) and Norwest Bank South Dakota, N.A. (the Lender) made on _____ (date of transaction) for a private student loan in the amount of $_____ (maximum $25,000).

b. You will be liable and fully responsible for payment of the above amount even though you may not be entitled to any of the goods, services or loan furnished thereunder.

c. You may be sued in court for the payment of the amount due under this consumer credit transaction even though the customer named above may be working or have funds to pay the amount due.

d. This explanation is not the agreement under which you are obligated, and the guaranty or agreement you have executed must be consulted for the exact terms of your obligations.

e. You are entitled now, or at any time, to one free copy of any document you sign evidencing this transaction.

f. The cosigner acknowledges receipt of an exact copy of this notice by signing the Promissory Note.

California Residents
NOTICE OF COSIGNER
Traduccion en Ingles Se Requiere Por La Ley

You are being asked to guarantee this debt. Think carefully before you do. If the borrower doesn't pay the debt, you will have to. Be sure you can afford to pay it if you have to, and that you want to accept this responsibility.

You may have to pay up to the full amount of the debt if the borrower does not pay. You may also have to pay late fees or collection costs, which increase this amount.

The creditor can collect this debt from you without first trying to collect from the borrower. The creditor can use the same collection methods against you that can be used against the borrower, such as suing you, garnishing your wages, etc. If this debt is ever in default, that fact may become a part of your credit record.

This notice is not the contract that makes you liable for the debt.

AVISO PARA EL FIADOR
(Spanish Translation Required by Law)

Se le esta pidiendo que garantice esta deuda. Pienselo con cuidado antes de ponerse de acuerdo. Si la persona que ha pedido este prestamo no paga la deuda, usted tendra que pagarla. Este seguro de que usted podra pagar la cantidad requerida y de que usted desea aceptar la responsabilidad.

Si la persona que ha pedido el prestamo no paga la deuda, es posible que usted tenga que pagar la suma total de la deuda, mas los cargos por tardanza en el pago o el costo de cobranza, lo cual aumenta el total de esta suma.

El acreedor (financiero) puede cobrarle a usted un pretenderente, tratar de cobrarle al deudor. Los mismos metodos de cobranza que pueden usarse contra el deudor, podrian usarse contra usted, tales como presentar una de manda en corte, quitar parte de su sueldo, etc. Si alguna vez no se cumple con la obligacion de pagar esta deuda, se puede incluir esa informacion en su historia de credito de usted.

Este aviso no es el contrato mismo en que se exija a usted la responsibilidad de la deuda.

Cosigner please retain for your records.

TIPS ON EMPLOYEE COMMUNICATION

We recently asked corporate sponsors how they promote the ConSern Program to their employees. Some ideas:

☐ **Posters**

Posters can be placed on high visibility employee bulletin boards. These are available from ConSern - or make your own!

☐ **Employee Newsletter Articles**

ConSern provides you with sample articles that can be used in your in-house newsletters or newspapers.

☐ **Desk Drops/Payroll Stuffers**

Make your ConSern materials stand out! Photo copy the "generic" camera ready piece that you receive from ConSern onto colored paper. This can function as a flyer, desk drop or payroll stuffer.

☐ **Brochures**

Mail your employees an informational brochure to their homes. Make them available in high visibility locations. And include them in your new hire benefits packages and benefit updates.

☐ **Toll Free Number**

Publish the 800-SOS-LOAN number to your employees for their questions.

☐ **Early Preparation**

Most companies require two months lead time to publish information to their employees. Our peak borrowing seasons are from April to August and November and December. Plan on promoting ConSern before and during these periods for effective communication. Preplanning will result in an increase in the programs participation.

☐ **Employee Benefits Hotline**

Large corporate sponsors prerecord a message about ConSern. Employees dial up to find out the latest on their benefits.

☐ **Central Ordering Location**

Large corporate sponsors may wish to set up a single individual or department to take orders for and distribute applications for ConSern. This will make it easier for employees to locate an application when it is needed.

☐ **Electronic Mail**

Post a message about ConSern loan availability to your employees in their electronic mailboxes or on a payroll stub.

Need More ideas? Contact ConSern Client Relations for the latest tips on promoting ConSern Loans for Education to your employees.

JANUARY	FEBRUARY	MARCH	APRIL
EMPLOYEE REMINDER * Plan ahead for college financial aid * ConSern Loans are available throughout the year o Use this as a paycheck insert, a desk drop, or in employee mailboxes	POSTER * Supplement government assistance with a ConSern loan * Remember - Government Financial Aid forms are due o Place poster in Benefits Office, employee lunch room, etc.	ARTICLE * Success of ConSern is nationwide * Over 10,000 Businesses have taken advantage of this important employee benefit o Include article in the Spring issue of your company newsletter	PRESIDENT'S LETTER * Remember, the fall landing season is already under way * Re-affirm company commitment to employees and their education needs o Use as a reminder in company-wide mailing or in employee mailboxes
MAY	**JUNE**	**JULY**	**AUGUST**
POSTER * Apply now for fall $$ o Place poster in Benefits Office, employee lunch room, etc.	ARTICLE * Be prepared to meet the increase in educational costs o Include article in summer issue of company newsletter	EMPLOYEE REMINDER * Still need money for educational costs? o Use this as a paycheck insert, a desk drop or in employee mailboxes	BENEFITS UPDATE * Company commitment to an educated work force * ConSern features o Include in yearly Benefits update package to all employees
SEPTEMBER	**OCTOBER**	**NOVEMBER**	**DECEMBER**
C O N S E R N	POSTER * Second semester funds are available - apply now! o Place poster in Benefits Office, employee lunch room, etc.	EMPLOYEE REMINDER * Don't let educational costs ruin your holidays! * ConSern can help fill the $$ gap o Use this as a paycheck insert, a desk drop, or in employee mailboxes	C O N S E R N

ARTICLE FOR MARCH NEWSLETTER

NOW IS THE TIME TO START THINKING ABOUT CONSERN. IF YOU OR A MEMBER OF YOUR FAMILY WILL BE ATTENDING SCHOOL IN THE FALL, NOW IS THE TIME TO START REVIEWING YOUR COSTS AND FINANCIAL SITUATION FOR THE UPCOMING YEAR. OBTAINING FUNDS FOR EDUCATIONAL PURPOSES CAN BE A LONG AND TEDIOUS PROCESS.

BUT NOT WITH CONSERN !!!

WHAT IS CONSERN?

ConSern: The Student Loan Program is a new versatile supplemental loan program.

ConSern is a success nationwide, offering educational loans to over 10,000 businesses across the United States.

ConSern is a source of loan funds for You and your Family.

ConSern provides access to competitive interest rates, long term loans with affordable monthly payments.

ConSern allows the borrower to defer the principal portion of the loan and pay interest only while the student is in school.

ConSern spreads out heavy education costs over a long time (up to fifteen years) so families do not have to "mortgage the house" or "sell the car" to pay for educational costs.

ConSern is based on the cheapest source of financing in the market: Commercial Paper Notes. Access to these notes is available because of the size of the issues we make in the Market: up to $200 million at a time. It's "buying in bulk" and sharing the savings with your employees and their families.

ConSern interest rates will vary as the market varies; but the rates of Commercial Paper Notes have historically been lower than any other sources of funds.

ConSern does not apply any penalty for prepayment of the loan. You can pay off your ConSern loan in whole or in part at any time within the 15 year repayment schedule.

IF YOU ARE INTERESTED IN THE CONSERN PROGRAM, PLEASE SEE YOUR BENEFITS COORDINATOR FOR ADDITIONAL INFORMATION!!

APRIL - LETTER FROM PRESIDENT

Dear Employee:

I would like to take this opportunity to remind you that ConSern: Loans for Education are available immediately to you and your family.

In the coming summer months, many of you will be searching for funds to further your own education or that of your family members. In 1989, the Department of Education published studies which stated that 12.5 million individuals were seeking funds for higher education. Of this 12.5 million, 5.5 million individuals were able to obtain funding from the government. This left 7.5 million individuals without funding which resulted in $56 billion that still needed to be funded by private means. With the cut backs in government funding and the rising cost of tuition, we can only expect less government support and an increase in the need for private sources of funding.

With such a great need for educational funding, we are making the ConSern Loan program available to reaffirm our commitment to our employees and their needs.

The loans can be used at any accredited, non-proprietary school, college or university, and proprietary and trade schools approved by ConSern. The loan funds can be used for any costs of education, including tuition, room and board, books, computers, travel and other expenses. The program is adaptable to almost anybody's need for financing, providing borrowers with competitive interest rates and long pay-back terms. And ConSern loans are unsecured.

The informational brochures and loan applications are available immediately in the Personnel/Benefits office. These loans are available to all employees and their relatives.

We hope that you find this employee benefit to be useful and look forward to helping you and your family achieve their educational goals.

Sincerely,

President and CEO

ARTICLE FOR JUNE NEWSLETTER

COMPANY NAME

OFFERS:

CONSERN: LOANS FOR EDUCATION

A BENEFIT FOR ALL EMPLOYEES

ARE YOU PREPARED TO MEET THE INCREASED COST OF TUITION THIS YEAR? AND HOW ARE YOU GOING TO PAY FOR ROOM AND BOARD, FOOD AND OTHER SUCH ESSENTIALS ? ASSISTANCE IS AVAILABLE THIS YEAR THROUGH CONSERN!

ConSern Loans for Education is a benefit offered to all _____ employees. The student loan program is designed to offer competitive loans to finance the ever increasing costs of education -- tuition, room and board, books, computers, travel, and other related expenses.

The ConSern Loan Program is adaptable to suit anyone's financial needs. As an employee you may borrow for yourself or any family member. The loan funds can be used for accredited undergraduate, graduate, and professional programs, as well as private secondary schools (grades 9 thru 12). Applications are accepted throughout the year and funds are available immediately.

The ConSern Loan Program offers many unique features including:

- Loan amounts from $1,500 to $25,000 per year, with a maximum of $100,000 over a four year period.
- Competitive interest rates.
- Simple application process.
- Confidential loan processing.
- 15 year re-payment period with the option to defer principal payment for four years or until separation.

We realize that financing education is one of the most important questions facing many of us today. Through this benefit, we hope to enhance educational opportunities of all our employees and their family members.

For an application and additional information, please contact the Personnel Office.

ANNUAL BENEFITS UPDATE

LISTED BELOW ARE FEATURES OF THE CONSERN: LOANS FOR EDUCATION PROGRAM YOUR ORGANIZATION OFFERS AS A VALUABLE EMPLOYEE BENEFIT. PLEASE REMEMBER TO INCLUDE CONSERN IN YOUR YEARLY BENEFITS UPDATE.

- Loan amounts from $1,500 to $25,000 per year, with a maximum of $100,000 over a four year period
- Competitive interest rates
- Loans available based upon credit worthiness rather than financial need tests
- Simple, fast application process
- Confidentia loan processing
- 15 year re-payment period with the option to defer principal payment while the student is in school, up to four years
- No prepayment penalty
- Unsecured - you don't have to borrow against the equity in your home
- Applications accepted all year round
- You may borrow for tuition, room and board, books, computers or other required equipment, travel, living expenses and other college-defined costs of education

Go To The College Of Your Choice For $60 Per Month*

CONSERN *Loans Are Affordable, With Low Monthly Payments And A 15 Year Repayment Plan!*

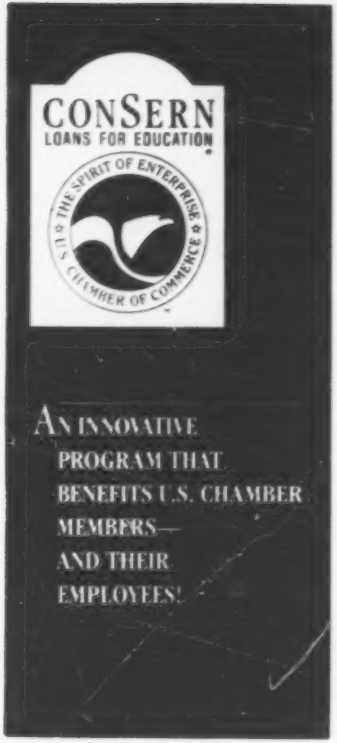
- ✓ $1,500 To $25,000 Per Academic Year
- ✓ Unsecured - No Collateral Required
- ✓ Low Interest Rate - No Prepayment Penalty
- ✓ Defer Principal - Interest Only Up To 4 Years (Private Secondary Schools Excluded)

- ✓ Available To You And All Your Family Members
- ✓ Applications Accepted Throughout The Year
- ✓ Simple, Fast Application Process
- ✓ Use At All Accredited Colleges, Universities And Private Secondary Schools (9-12)

*Based On The Average CONSERN Loan Of $6,192.47, Monthly Payments, Interest Only.

See Personnel For An Application

For Information, Call 1-800-SOS-LOAN


CONSERN
LOANS FOR EDUCATION
THE SPIRIT OF ENTERPRISE
U.S. CHAMBER OF COMMERCE
AN INNOVATIVE PROGRAM THAT BENEFITS U.S. CHAMBER MEMBERS— AND THEIR EMPLOYEES!

A UNIQUE BENEFIT PROGRAM

FOR EMPLOYEES—THAT HELPS YOUR COMPANY TOO!

The U.S. Chamber Conserm Loans for Education program, exclusively for U.S. Chamber of Commerce members, helps your company and employees in many ways—and for only a modest investment.

The program helps employees afford higher education for *their children*, themselves, and other family members. As the costs of a college education continue to rise, Conlegn allows families to borrow *comfortably*. Loan amounts are based on the actual costs of higher education, including not only tuition, but living expenses, transportation expenses, and the costs of books and supplies. The payback term is realistically geared to most families' financial needs, and stretches repayment over a 15 year period. The monthly loan payments fit the needs of working Americans, and are manageably low compared with other educational loans.

The program can also benefit your company's recruitment and retention efforts. It can help you build morale, by showing employees one more way in which you care. It's inexpensive, with company participation starting as low as $50 a year. Best of all, it's very easy to administer, and your company will have absolutely no liability.

CONSERN LOAN FEATURES:

U.S. Chamber Conserm loans are low-interest, unsecured loans for education at college, university and private high school.

Employees and their families who borrow through Conserm can:

- repay the loan over a fifteen year period.
- borrow as much as $25,000 per year for educational expenses—or as little as $1,500.
- borrow an aggregate total of $100,000.
- defer principal repayment for up to four years while the student is at undergraduate or graduate school.
- use the loans at accredited colleges and universities, for undergraduate, graduate, and professional education, at proprietary schools pre-approved by Conserm, and at private high schools (grades 9-12).
- use the money for all educational costs stipulated by the institution at which the student is enrolled. Covered costs typically include tuition, room and board, fees, books and supplies, personal living expenses, and transportation. Conserm loans of up to $9,000 are also available to finance the purchase of a personal computer.
- prepay at any time without penalty.
- apply for a Conserm loan at any time during the calendar or academic year.

Conserm is the most flexible way of financing a college or private secondary school education in the 1990s.

CONSERN FULLY ADMINISTERS THE PROGRAM

Conserm provides participating companies with brochures, application kits, and other informational materials for employees. Conserm also handles applications, processes loans, communicates directly with applicants regarding approval or denial, disburses the loan checks, handles billing—and assumes all liability for employee loan default.

Companies have absolutely no liability for loans made to employees who subsequently default.

EMPLOYEES LOVE CONSERN

Thousands of families have been helped through the U.S. Chamber Conserm loan program. Here's why they give the program high marks:

- ☑ Manageable, low monthly payments
- ☑ No cut-off date for loan application
- ☑ Easy-to-understand loan terms and conditions
- ☑ Straightforward application process
- ☑ Complete confidentiality
- ☑ Fast decision on loan approval
- ☑ Low interest rate
- ☑ Responsive loan consulting service

How does my company participate?

The program is exclusively available to members of the U.S. Chamber. To participate, you must:

- maintain active membership in the U.S. Chamber of Commerce.*
- distribute information to your employees.
- pay a low annual participation fee, based on your total number of employees.

Company Participation Fee Schedule

Number of Employees	Annual Participation Fee
0-4	$ 50
5-50	75
51-100	125
101-250	500
251-500	500
501-750	750
751-1,000	1,000
1,001-1,500	1,500
1,501-2,500	2,500
2,501-3,500	3,500
3,501-5,000	5,000
5,001-7,500	7,500
7,501-15,000	10,000
15,001-30,000	12,500
[illegible]	15,000
[illegible]	17,500

[illegible] of employees.

Research shows that 70% of the population with college bound or in-college students needs a program like ConSern. That's why the U.S. Chamber and ConSern developed this innovative employee benefit. ConSern was:

- created to offer affordable loans for education.
- designed so that people can borrow what they need—and be able to repay the loan comfortably with low monthly payments.
- structured with generous credit and payback criteria.

*If you're not a member of the U.S. Chamber of Commerce, now is the time to join. Your membership investment is tax deductible as a business expense, not as a charitable contribution.

About ConSern

ConSern loans are administered by a nonprofit organization, University Support Services Inc., in collaboration with leading financial institutions. Loans are financed through the sale of Commercial Paper, and the interest rate is based on the Commercial Paper rate, as published in *The Wall Street Journal*, plus 5.6%. Since May 1987, ConSern has disbursed more than $165 million in loans. More than 14,000 companies currently sponsor the ConSern program for their employees.

Participate now

It's really easy to bring this benefit program to your employees if you're a U.S. Chamber member. Just complete the participation agreement form and mail it with your check to ConSern. In a few weeks, you will receive brochures, applications, and complete information about communicating the program to your employees. In addition, you'll have an account representative to help you implement the program in your company.

Help your employees get the financing they need for education—at low cost, with great payback terms, and with truly manageable monthly payments.

For more information, call (703) 709-LOAN or write:

U.S. Chamber ConSern: Loans for Education*
205 Van Buren Street/Suite 200
Herndon, VA 22070

AGREEMENT

After reading the terms and conditions on the reverse side of this agreement, please complete the section below. Please include a check payable to ConSern: Loans for Education, in full amount due, based on the number of employees, full and part-time, that are currently employed by your company. Refer to the chart below to determine the Participation Fee due.

OFFICE USE ONLY

Membership No: _____ Fee Amount: $ _____

Identifier: _____

(Please type or print all information.)

Business Name: _____

Street Address: _____

_____

_____

Telephone: _____

Type of Business: _____ SIC: ☐☐☐☐

No. of Employees: _____ Annual Participation Fee $: _____

☐ Attach check drawn to ConSern: Loans for Education

Signature: _____

Name: _____

Title: _____

Person who will serve as the ConSern Loan Representative:

Name: _____

Title: _____

Telephone: _____

Questions about sponsorship of the ConSern Loan Program should be directed to ConSern's Client Services Department at 1-703-709-3626.

Company Participation Fee Schedule

No. of Employees	Fee
0 - 4	$ 50
5 - 50	75
51 - 100	125
101 - 250	300
251 - 500	500
501 - 750	750
751 - 1,000	1,000
1,001 - 1,500	1,500
1,501 - 2,500	2,500
2,501 - 3,500	3,500
3,501 - 5,000	5,000
5,001 - 7,500	7,500
7,501 - 15,000	10,000
15,001 - 30,000	12,500
30,001 - 45,000	15,000
over 45,000	17,500

(Participation fee is tax-deductible as a business expense, not as a charitable contribution.)

Return the white copy of this agreement in the envelope provided or mail to: ConSern: Loans for Education / 3600 Van Buren Street / Suite 209 / Herndon, VA 22070. Retain the yellow copy of this agreement for your files. Please allow two-three weeks for receipt of ConSern Loan Program materials.

1/91

1. Parties To This Agreement:

This Agreement is made between the Organization executing this Agreement, and University Support Services Inc. 205 Van Buren Street Suite 200 Herndon, VA 22070. Program Administrator of the ConSern Education Loan Program ("ConSern").

2. Eligibility:

A. To be eligible to participate in this Program, an organization must be a Member in good standing ("Member") of the U.S. Chamber of Commerce.

B. The Member must also sign this Agreement, and must pay an Annual Participation Fee to University Support Services Inc., per the Fee Schedule printed on the reverse side of this form.

C. The Member must designate one employee to be its contact with University Support Services Inc., i.e., Member's ConSern Loan Representative.

3. Term of the Agreement:

This Agreement shall remain in effect for one year from the first of the month following receipt of this Agreement and fee by ConSern.

4. Options of the Member Regarding ConSern:

A. The Member may make the Program available to all of its Employees and their families.

B. The Member may, at its discretion, subsidize the costs of the Program to its Employees as a recruitment or retention device, or as an additional employee benefit.

C. The member may request modifications of the standard ConSern information brochure to include its own name, logo, or other distinctive graphic features. Brochures will be customized in any one color at no additional charge for companies with over 1,000 employees.

5. Safeguards:

A. The Member has no legal or financial responsibilities for loans made to its employees or others, or for loan delinquencies or defaults.

B. It has no administrative responsibilities for the program, except for making the program known to its employees, and distributing loan applications to its employees as requested.

6. Member Obligations:

A. The Member agrees that it shall not collect from loan applicants any additional fees or charges not authorized by University Support Services Inc.

B. The Member agrees not to change the credit eligibility of the Program for its constituents.

C. The Member agrees not to make any representations regarding the program that are not provided for or approved by University Support Services Inc.

7. University Support Services Obligations:

A. University Support Services Inc. agrees to work with the Member in making the program known to its employees and others, and to supply the member with informational literature and ConSern application forms.

B. University Support Services Inc. agrees to accept and process loan applications from Member employees and others related to these employees, on timely fashion, to engage in any correspondence with the applicant necessary to process the application, to approve or deny loans based on the credit criteria of the Program, to service the loan once made, and to answer any ongoing queries from the borrower, whether or not an applicant receives a loan depends upon the creditworthiness of the individual applicant.

C. University Support Service Inc. will keep the Member informed from time to time about the number and aggregate dollar volume of loans made to the Member's employees and their families. University Support Service Inc. will make no disclosure to the Member of its employee's creditworthiness, except at the employee's direction.

8. Equal Opportunity and Privacy:

Both the Member and University Support Services Inc. agree to comply with all Federal and local laws governing non-discrimination and privacy.

9. Entire Agreement:

This Agreement contains the entire agreement among the parties, and no party shall be bound by any condition, representation or warranty except as expressly set forth herein. This Agreement may not be changed or modified, except by written agreement, signed by all the parties.

CONSERNING...

REPORT ON THE COMMUNICATIONS ROUND TABLE

ConSern's first Communications Round-Table was held on November 9, 1989 at the U.S. Chamber of Commerce headquarters in Washington DC. In attendance were the following representatives of ConSern corporate sponsors:

Jim Breedlove, Director of Education Relations BellSouth Inc.

Claire Gecsel, HR Staff Manager AT&T

Paul Henn, Manager of Academic and Technical Training, Chrysler Corporation

William Johnson, Manager of Human Resources - Education and Training, McDonnell Douglas Corporation

Mike Levitt, Communications Manager, J.C. Penney Company Inc.

Russell Wert, Director of Benefit Services, Aetna Life and Casualty

Joe Woodell, Employee Relation Services, Goodyear Tire and Rubber Company

The meeting proved invaluable as information on a wide range of topics was exchanged. In essence, these companies are very satisfied with ConSern, and have numerous ideas about helping their employees to find out more about the program. Here are some of their suggestions, now being followed up by ConSern:

- Communication with ConSern for parents, for example, a message on the envelope reiterating the program's benefits, or a postcard mailer. This would help increase word-of-mouth communication among employees.

Continued on page 6

A message from Father John P. Whalen, Founder and Chairman of ConSern

The new decade brings with it the promise of the new century, and it is with growing concern about the future of higher education in the United States that we look ahead to the challenges and opportunities awaiting us. The federal government is already playing a less prominent role in funding student loans and grants. Families are facing mounting financial commitments for college education in the wake of college costs that continue to rise faster than inflation. In the meantime, the basic curriculum, especially in science, continues to expand, leading to arguments to extend the traditional four year degree program to five years. *Fortune* magazine has even predicted that by 2002 the average cost of a four year college education could be $300,000.

WELCOME TO THE NINETIES

The U.S. Chamber of Commerce ConSern loan program will continue to bridge the increasing gap between the cost of college education and the funding available to most families. Now, in its third year, through the joint efforts of the U.S. Chamber and ConSern, we are pleased what we have been able to accomplish and more determined than ever to provide real financial help to parents who want the best possible education for their children.

As the new decade dawns, we extend our thanks to you, our corporate sponsors for your support. Please continue to remind your employees that ConSern is here to help them to meet the challenge of paying for college for the young men and women who will be the mainstay of the workforce as we enter the 21st century.

Have a great 1990!

LOW MONTHLY PAYMENTS—the BIG benefit for your employees

If you borrow $1,500 through ConSern, your monthly payment is only $25.35, compared to $50.00 if you borrow through the Federal Government's Stafford, PLUS, or SLS programs. At $15,000, the example is more dramatic. First, the cumulative maximum you can borrow over four years in the Stafford Student Loan Program is only $15,250. With PLUS and SLS, you can borrow a cumulative maximum of $20,000 over a four year period—but look at the difference in loan payments. The ConSern monthly payment of *principal and interest* on a $15,000 loan borrowed in one year is $253.34, based on the program's average simple interest rate of 11.41% since January 1980; the PLUS and SLS monthly payments on a cumulative $15,000 loan are $461.28. That means your employees with a ConSern loan of $15,000 would pay $205.74 *less* per month—and that means substantially less stress on the family budget.

ConSern is able to offer low monthly payments due to a low interest rate *and* an unusually long payback term (15 years). The average simple interest rate for three years since program inception (January 1987) is 11.41%. What this means to your employees is less financial burden, and more, about college costs. Here's a chart that summarizes the comparison with major Federal and bank loan programs:

	ConSern	Stafford*	PLUS	SLS	Bank Loan***
Borrowing limit, 1st year	$5,000	$2,650	$5,000	$2,000	NA
Cumulative max., 4 yrs.	$15,000	15,250	20,000	20,000	NA
Loan Amount					
$1,500	$25.35	$50.00	$50.00	$50.00	$25.74
3,000	47.99	50.00	76.88	76.88	48.99
5,000	80.22	112.50	184.51	184.51	230.63
10,000	170.46	187.17	307.52	307.52	331.17
15,000	253.34	**	461.28	461.28	527.34
20,000	340.72	**	615.05	615.05	703.13
25,000	423.01	**	**	**	878.91

* Maximum Stafford Loan amount: years 1 and 2: 3rd years 5 and 4: maximum amount is $4,000.

** Loan amount exceeds cumulative maximum available under this program.

*** Based on 10% interest, principal and interest repayments, 3 year term, from a survey of major regional banks.

Note: The figures for ConSern are for repayments of *principal and interest* starting in the 5th year of the loan, having deferred principal for the first four years. Based on the average simple interest rate of 11.41% for three years since inception of the program, January 1987.

For Your Information

Here are some recently published facts and figures about education and educational costs and financing that you'll find helpful:

According to American College Testing Program, only 6% of U.S. families today can afford to send a child to a four year private college without financial assistance. (*Fortune*, December 14, 1987)

According to the National Center for Education Statistics, the cost of education at a four year private institution has risen 86%, from an average of $11,608 in the fall of 1980, to $12,620 in the fall of 1986. Costs at public institutions will rise by 71% by this fall.

The American Council on Education states that the average cost for four years at a public university is currently $30,000; at a private college, it's $61,500.

And that's why the U.S. Chamber of Commerce ConSern program is so necessary.

Company Profile—UPS DELIVERS CONSERN

United Parcel Service

We recently asked Bob Eastman, Personnel Manager at UPS, about his company's involvement with ConSern. UPS decided to sponsor the program because it meets the needs of the large percentage of their employees who fall into the middle income bracket. It also benefits another large segment of their workforce, and one on which UPS builds its future—part-time employees who are attending college. ConSern is useful to UPS both as a recruitment tool and as an extra way of benefitting full-time employees with college-bound students who may not be eligible for traditional financial aid.

UPS initially introduced the program in September 1989 with payroll stuffers, a feature article in their employee magazine, and at pre-work meetings with employees. Initial reaction was very positive, and a great deal of interest was generated—so much, in fact, that to date UPS has surpassed all other ConSern sponsors in program utilization. In only seven months, by the end of April 1990, UPS employees had received $2 million in ConSern loans with an additional $1.5 million in process.

Ongoing promotion plans include a series of articles in the UPS employee magazine designed to heighten awareness of ConSern. In addition, the ConSern program is marketed as a benefit that enhances UPS efforts to recruit part-time employees. It's one important way that UPS underscores its corporate commitment to education.

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BEHIND THE SCENES AT CONSERN—
Management of loan billing

ConSern's Contract Management Team, left to right: Catherine Reynolds, Leslie Davis, Liz Stokhart

Inhouse at ConSern, an important business function is the day-to-day management of contracts with the program's service providers. One of the most critical services provided by an outside company is the billing for interest and principal repayment that goes out monthly to the program's 20,000 borrowers. The service provider since program inception for this critical function is First Wachovia Student Financial Services, Inc., a member company of The First Wachovia Corporation of Winston-Salem and Atlanta. ConSern loans are serviced at the Winston-Salem headquarters, where Wachovia's staff handles billing, recordkeeping, payment posting, phone inquiries and correspondence from borrowers.

Overseeing contract management, including the servicing operation at ConSern's Herndon headquarters is a staff of three financial specialists: Leslie Lanoix Davis, Elizabeth Svikhart, and Catherine Reynolds. Their goal is to ensure that our vendors provide the absolute best service for our ConSern borrowers. Here are brief profiles of these key ConSern employees:

Leslie Lanoix Davis, Manager for Contract Vendors

Leslie attended the University of California at Berkeley prior to moving to the Washington area, where she completed her BA at the University of Maryland, College Park. She began working for ConSern at the program's inception over three years ago, prior to the program's public announcement, and was instrumental in setting up program processes and systems. The Contracts Department which she currently supervises, was developed in order to verify that all of ConSern's contracts are operating effectively and efficiently, and that program guidelines are being followed accordingly. In her current position, she monitors the output of the program vendors for accuracy and efficiency, with an ongoing goal of improving overall service and productivity. Caring for the good reputation ConSern has acquired is one of Leslie's primary concerns, and she handles it by promoting open communication with her colleagues and vendors.

Elizabeth Svikhart, Contract Manager

With a degree in finance from Georgetown University, School of Business Administration, Liz worked on Wall Street for an investment banking firm as a financial analyst and equity trader for four and a half years. She joined ConSern in January 1989, and is currently Contract Manager, with a primary role of overseeing ConSern's relationship with the program's loan processor. This role encompasses many aspects, including performing audits, and ensuring that daily processing is timely and accurate, and that all questions regarding decisions on applications are promptly researched and resolved.

Catherine Reynolds, Assistant Contract Manager

Catherine received her BA from Baylor University and her Master's Degree from the George Washington University. Catherine began working for ConSern in June 1989, and currently is responsible for overseeing the accurate and prompt entry of ConSern applications on a daily basis, obtaining and providing complete and accurate information on school costs, verifying the number of loans disbursed each week, and assisting Leslie Davis and Liz Stokhart on special projects. She also provides her colleagues with input and ideas for overall program enhancement and improvement.

Round Table

Continued from page 1

- ☐ A videotape presentation that employees could check out from a corporate video library or employee benefits office would help employees understand ConSern and how the program fits their needs.
- ☐ Presentations to employee groups or management groups to present an overview of the program.
- ☐ A marketing calendar that will help companies of any size to implement an ongoing program of employee communication.

Other subjects that were aired at the Communications Round Table and that are being pursued by ConSern staff include:

- new format for sponsor reports, with inclusion of information on demographic profiles of borrowers, so that companies can target specific information for various locations and age groups;
- streamlined customer service, including creating seamless processes among ConSern's loan processor and billing agency;
- surveys of current borrowers to ascertain satisfaction with the loan program.

It was generally agreed that there is a very high level of employee and borrower satisfaction with ConSern.

The session, which was attended by ConSern and U.S. Chamber executives in addition to the corporate representatives, provided an ideal forum for the exchange of ideas with our sponsors. It was agreed that future sponsor meetings should be held at least annually, and that the Round Table program should be expanded to include representation for small and mid-sized companies.

Answers to your employees' most frequent questions

INTRODUCTION

WELCOME to the U.S. Chamber of Commerce Conserv Loans for Education program. You are joining thousands of companies that have decided to make this innovative benefit available to employees and their families. We will be working closely with you to make sure the program is a success for both your company and your employees.

You probably have some questions about how Conserv works. Your account representative is a phone call away. Whenever you have questions, or need to discuss any aspect of the program or its implementation, call your account representative at (703) 709-LOAN.

The Conserv program is designed so that companies have minimal administrative involvement and absolutely no liability. Literally all you do is provide your employees with information about the program, using the brochures and other communications materials supplied by Conserv. We even provide a suggested timetable, indicating the times during the year when particular communications activities are most effective.

While we have designed the program so that you need not be an expert in student loans in order to administer it successfully, we would like you to have pertinent information available. This brochure will help you to prepare for the introduction of the U.S. Chamber Conserv program to your employees. It includes answers to employees' most frequently asked questions.

Reading this brochure will help you feel comfortable with the structure of the program and will help you answer basic questions your employees may direct to you or your colleagues when you introduce the program. For specific, detailed questions, however, please have your employees contact our Loan Consulting Service directly, at 1-800-SOS-LOAN. Trained representatives will help with any questions your employees may have. And if you need answers to your programmatic questions, please contact your account representative at (703) 709-LOAN.

We're here to help you make the program a success for everyone involved. Please call.

PROGRAM FEATURES

YOUR EMPLOYEES NEED TO KNOW

HERE ARE the features that make a Conserv loan the ideal way for your employees to borrow for educational costs:

- Conserv loans are designed so that people can borrow what they need—*and be able to repay the loan comfortably, with low monthly payments.*
- Apply for a Conserv loan for yourself or on behalf of a child, spouse, or other family member.
- Use a Conserv loan at any accredited university, college, or private secondary school (grades 9-12).
- Borrow up to $25,000 per year.
- Minimum annual loan amount is $1,500.
- Maximum total loan amount is $100,000.
- Repay the loan over 15 years.
- No penalty for prepayment of the loan.
- Pay interest only while the student is in school (maximum of four years). Note: deferral of principal is not an option for borrowers financing private secondary school educational expense.
- Help the student establish credit while he or she is in school (by acting as co-signer, helping with payments until after graduation, when the student can assume payments).
- Use a Conserv loan for the costs of education as defined by the school the student is or will be attending. These costs include tuition, room and board, fees, books, computers, supplies, personal living expenses, and transportation, and are published by the College Examination Board.
- Use a Conserv loan of up to $5,000 to purchase a personal computer, software and peripherals for educational purposes independent of the other costs of education. The dealer's invoice must accompany the loan application.
- The amount available for each individual borrower or cosigner depends on his or her ability to repay the loan *and* his or her credit history.
- Conserv loans are unsecured and do not require collateral.
- Apply at any time during the calendar or academic year. There is no cut-off date.
- The application process is simple, and the approval process is fast—usually in four weeks or less.
- Applications and communications with borrowers and cosigners are treated with complete confidentiality.

QUESTIONS ABOUT ELIGIBILITY

1. *Which employees are eligible to participate in ConSern?*
From ConSern's perspective, all employees of a sponsoring company are eligible at the company's discretion. However, each participating company determines which employees it wishes to include in the ConSern program. Because of the low per employee cost, many companies make the benefit available to all employees, including part time and retired.

2. *Must the employee be the person who is attending school?*
No. The U. S. Chamber ConSern program allows the employee to send his or her children, spouse, or other relative to school with a ConSern loan.

3. *Must the employee be the borrower?*
No. The employee may be either the borrower or the cosigner on the loan or may make the loan available to another family member.

Many parents take out the loan in the student's name, with the parent or parents cosigning. This ensures that the loan is the student's responsibility as soon as the family determines that he or she is capable of repaying it. This also permits students to start establishing a credit history while they are in school.

4. *How long must the employee have been employed?*
The employee must have been employed for at least one year (12 consecutive months) with his or her present or previous employer. The participating company does not have to prove length of employment with the company in order for an employee to meet this eligibility requirement.

5. *Must the employee be a U. S. citizen?*
The person or persons on whose credit the loan is based (borrower(s) or cosigner(s)) must be a U. S. citizen or permanent resident alien of the United States of America.

6. *Are there any age restrictions on borrowers and/or cosigners?*
The borrower and cosigner (if any) must be at least 18 years of age *at the time of application* (19 years old if a resident of Alabama, Nebraska, or Wyoming; 21 years old if a resident of Mississippi or Puerto Rico).

7. *Are there any restrictions on minimum annual salary?*
The borrower or cosigner on whose credit the loan is based must be currently receiving at least $15,000 annually from all sources. There is no upper limit on salary.

8. *How is loan eligibility established?*
Loan eligibility is determined through an evaluation of the borrower's and cosigner's credit reports, and the creditworthy individual's monthly income and monthly debt obligations.

9. *Is the cosigner required?*
A cosigner is not required if the credit of the borrower is weak or non-existent. A cosigner is absolutely required in the case of a student who wishes to be the borrower and who has no prior credit history, or who does not meet the employment and minimum salary requirements. Usually, in that case, the cosigner is the parent (the employer). However, the cosigner must be any creditworthy person who is prepared to take on the responsibility of cosigning the borrower's loan, and who meets the loan eligibility requirements.

If an employee has specific questions about the need for a cosigner, we suggest that you refer him or her to the Loan Consulting Service at 1 800 SOS LOAN.

10. *Must the student be enrolled in school?*
Students must be accepted for enrollment or currently enrolled full time or part time (as defined by the school) in an accredited college, university, or private secondary school (grades 9-12). Unlike the federal programs, students do not need to be enrolled at least half time.

11. *What schools are eligible?*
ConSern loans may be used at undergraduate and graduate levels, including medical, dental, law, veterinary, and engineering schools. In some cases, ConSern loans may be used at proprietary trade (for profit) schools *approved for participation* by ConSern. Applicants interested in using a ConSern loan at a proprietary school should contact ConSern before submitting a loan application.

Students must be taking courses in a program that leads to a degree or diploma. The student must perform at a certain grade point average (GPA) in order to continue to use ConSern loans.

In addition, ConSern loans may be used at private secondary schools (grades 9-12). In the case of loans for private secondary school, principal repayment may not be deferred. Payments of both principal and interest starts immediately after the check is disbursed.

12. *What happens if my student drops out?*
Because ConSern loans are personal, unsecured loans, the loan must be repaid by the borrower or cosigner on the Promissory Note. In the event of a student dropping out, the school will refund to the borrower whatever portion of the loan is refundable (if any). The balance of the loan must be repaid under the terms of the Promissory Note.

Employees with questions about their eligibility for a ConSern loan should contact the Loan Consulting Service at 1 800 SOS LOAN.

QUESTIONS ABOUT COSTS, TERMS, AND CONDITIONS

1. *How much money can each student borrow?*
From $1,500 to $2,000 per year, with a maximum aggregate amount of $10,000 per borrower.

2. *What is the repayment schedule?*
Equal loans, with no penalty for prepayment in whole or in part at any time.

3. *When does repayment start?*
Loan payments start approximately 30 days after the loan check is disbursed.

4. *What is the repayment period, and is it possible for the student to go to school?*
No. The borrower may choose to defer principal repayment for up to four years while the student is in undergraduate or graduate schools. Principal may not be deferred while the student is in private secondary school.

5. *What is the interest rate?*
The interest rate on a ConSern loan is based on the Commercial Paper Rate, as published in *The Wall Street Journal* plus 5.6%. The Commercial Paper Rate averages approximately 2% less than the prime rate.

The interest rate for a ConSern loan is the average of the higher of the Sixth or Tenth per annum Commercial Paper Rate plus 5.6%. For example, if the average Commercial Paper Rate for the previous month was 8%, the ConSern rate for the current month would be 13.6%.

The ConSern rate varies monthly, with variations in the rate being reflected in each month's billing statement to the borrower.

6. *What are the costs to the borrower of a ConSern loan?*
The following are the costs to the borrower of a ConSern loan:

- a non-refundable application fee of $45.00, payable with application;
- a loan origination fee of 3.5%, of the face amount of the loan (included in the amount borrowed). This pays program costs and default insurance that keeps the overall interest rate low;
- monthly interest payments;
- monthly principal payments (which may be deferred for up to four years until the student is out of college). This feature is not available for loans made for private secondary school education (grades 9-12).

7. *How are computations made ahead of curiosity on the interest rate?*
Borrowers receive a monthly invoice for the amount due. The invoice states the computed interest rate for the period.

8. *What are typical ConSern monthly payments?*
The following chart compares the monthly payments with a ConSern loan and the three major Federal loan programs: the Stafford, PLUS, and SLS programs.

Comparison of Monthly Loan Payments

	ConSern	Stafford	PLUS	SLS
Borrowing Limit:				
1st year	$25,000	$2,650*	$4,000	$4,000
Cumulative maximum 4 years	100,000	13,250	20,000	20,000
Loan Amount				
$1,500 -	$25.55	$50.00	$50.00	$50.00
2,500	42.59	50.00	76.88	76.88
6,000	102.22	112.50	184.51	184.51
10,000	170.36	187.17	307.52	307.52
15,000	255.54	**	461.28	461.28
20,000	340.72	**	615.05	615.05
25,000	425.91	**	**	**

*Maximum Stafford Loan amount: years 1 and 2: for years 3 and 4 maximum increases to $4,000.

**Loan amount exceeds cumulative maximum available under this program.

Note: The figures for ConSern are for repayments of *principal and interest*, starting in the 5th year of the loan, having deferred principal for the first four years. Based on the *average* simple interest rate of 11.44% for ConSern since January, 1987.

9. *Is there a ceiling on ConSern loan interest rates?*
Interest rates may not exceed the usury rate established by law in the states in which originating banks are located. The average simple interest rate since January 1987 has been 11.44%. For specific questions, the borrower should call a ConSern Loan Consultant at 1-800-SOS-LOAN or (703) 709-LOAN.

10. *Is there a penalty for prepaying all or part of a ConSern loan?*
No. There are no prepayment penalties.

11. *How is the maximum loan amount determined?*
The maximum amount that an individual may borrow is based on an analysis of two factors: 1) his or her ability to repay the loan and 2) the published cost of attendance at the specific school at which the student is enrolled. If the total cost of education at a college, for instance, is $10,000, as computed by ConSern, a borrower requesting a ConSern loan for $15,000 will be presented with a counteroffer for $10,000.

THE APPLICATION PROCESS

1. *How does an employee apply for a U.S. Chamber ConSern loan?*
It's a simple application process. After the employee picks up an application kit in the area designated by the company for or she communicates directly with ConSern. You never see the application again. If your employee has questions about completing the application, please refer him or her to the ConSern Loan Consulting Service at 1-800-SOS-LOAN.

The application kit is pre-coded with your unique company sponsor code so that program utilization for your company may be tracked without jeopardizing employee confidentiality. It contains all the forms the employee needs, along with detailed instructions.

2. *What do applicants do?*
ConSern loan applicants follow these simple steps, as detailed in the application kit:
1. Complete, sign and date the borrower application.
2. Have the cosigner (if applying with one) complete, sign and date the cosigner application.
3. Complete, sign and date the Permission Note.
4. Include a signed copy of the most recent federal income tax return or W-2 Form, or see the back of the application for other acceptable income verification documents.
5. Enclose a check for $45.00, payable to ConSern: Loans for Education.
6. If the borrower wishes the check to be made payable to the borrower alone (and not co-payable to the institution and borrower), he or she should attach student's proof of enrollment. Acceptable proof of enrollment includes:
   - a copy of an acceptance letter,
   - a copy of the tuition bill or receipt,
   - a copy of the current student ID card.
7. The entire application should be mailed to ConSern in the envelope provided. Please note that employers are not required to verify employment or income.

3. *What happens after the application is sent to ConSern?*

Approval
1. Complete applications are rapidly processed, and the applicant is informed of ConSern's decision usually within four weeks of receipt.
2. If the loan is approved, a ConSern loan check payable to the borrower is mailed directly to the borrower's address, provided that acceptable proof of the student's enrollment is included with the application. If proof of the student's enrollment is not attached to the application, the loan check will be made co-payable to the borrower and the school, and will be mailed to the borrower's address. The borrower is then responsible for obtaining the school's endorsement on the check.

Counteroffers
3. In the event that an applicant cannot qualify for the loan amount requested, but can qualify for a smaller loan, a counteroffer will be made by ConSern.

Incomplete Applications
4. ConSern will contact the borrower or cosigner if an application is incomplete. Incomplete applications may be returned to the applicant requesting additional information.
5. An applicant who applies without a cosigner, but who needs one in order to qualify for a loan, will be so informed by ConSern.

Denials
6. If an application is denied, an adverse action letter is sent to the borrower by ConSern.

IF YOU NEED HELP

Contact your ConSern account representative at (703) 709-LOAN. Or write to:

U.S. Chamber of Commerce: ConSern: Loans for Education
205 Van Buren Street/Suite 200
Herndon, VA 22070

FAX Number: (703) 709-8600
Phone: (703) 709-LOAN

About the ConSern loan program...

The U.S. Chamber of Commerce is pleased to offer—exclusively to its members—an exceptional employee benefit program: U.S. Chamber ConSern Loans for Education.

This program allows you to offer to your employees low-cost, unsecured, long-term educational financing for themselves and their families.

ConSern participation is affordable. Annual participation fees are based on the number of employees in your company, and start as low as $50.00 per year for small companies.

In addition, it's a simple program to administer. You won't have to hire extra employees. You leave the details about educational financing to the experts at ConSern. Best of all, your company assumes absolutely no liability when you make ConSern loans available to your employees.

What is ConSern?

ConSern is a nonprofit, private sector initiative, designed to help families deal with the growing problem of paying for education. Here are some of the salient program features:

- ConSern loans are unsecured, personal loans that may be used by an employee and his or her family at accredited colleges, universities and private secondary schools in the United States.
- The minimum annual ConSern loan is $1,500. The maximum is $25,000. The aggregate maximum per borrower is $100,000.
- Criteria for making a ConSern loan include an evaluation of the employee's income and debt payments, as well as credit history. Loans are made based on the ability to repay the loan, not on a qualifying "means test" or "maximum family income" test.
- Interest rates are low and the payback term is 15 years, resulting in low monthly payments. The interest rate is the Commercial Paper Rate (published in *The Wall Street Journal*) plus 3.6%.
- Borrowers may defer principal repayment while the student is in college (maximum of four years). Interest payments start approximately 30 days after the loan is disbursed. Borrowers may not defer principal repayment for students attending private secondary schools.
- The application process is *fast*, with loan approval normally taking four weeks or less. Applications are accepted *at any time* during the year. There is a $45 application fee (non-refundable), which must accompany the borrower's application.
- There is *no* prepayment penalty.

ConSern is a program developed in cooperation with the U.S. Chamber of Commerce by University Support Services, Inc., a nonprofit Maryland corporation. ConSern is backed by leading financial institutions, investment bankers and insurance companies. It is a blue-chip operation, backed by leaders in financing and education.

Thousands of member companies of the U.S. Chamber of Commerce are sponsoring ConSern. Through these companies, millions of employees have access to an educational loan program that increases their freedom of choice while helping them pave their children's way for the 21st century with affordable education.

The U.S. Chamber of Commerce is a leading private sector proponent of the educated workforce. Through the ConSern program for its members, the Chamber is taking practical steps to enhance educational choice for working Americans.

A unique employee benefit

A needed employee benefit...

You can offer your employees access to ConSern, and help them resolve a dilemma faced by a growing number of American families—how to pay for their children's education.

The costs of higher education continue to rise faster than inflation. Currently, educational expense for *one* year at a public college averages almost $7,000 for "in residents student. At a private college, the cost averages over $14,000. Federal loan programs, for the minority of families that qualify (based on demonstrated need), provide an *average* loan of less than $2,600. (Source: *The College Board.*) And almost 10 million families with children in college are *not* eligible for the government's Stafford Student Loan Program. *The gap in funding is huge.* The need expressed by your employees for *affordable* financing for college is undeniable.

Research shows that 70% of the population with college-bound or in-college youngsters needs a program like ConSern. ConSern was:

- created to offer affordable loans for education;
- designed so that people can borrow what they need—*and be able to repay the loan comfortably, with low, monthly payments;*
- structured with generous credit and payback criteria.

A flexible employee benefit...

ConSern loans can be used by employees for their own educational expenses as well as for their children's or spouse's. They can:

- apply for a ConSern loan on behalf of their children or other family members;
- help the student establish credit while he or she is in school (by acting as cosigner, helping with payments until after graduation, when the student can assume payments);
- use ConSern loans at private secondary school, undergraduate and graduate school, including medical, dental, law, engineering, and other professional schools;
- use a ConSern loan to pay for all the costs of education as stipulated by the particular institution the student is attending. These may include tuition, room and board, fees, books and supplies, personal living expenses, and transportation;
- use a ConSern loan to purchase a personal computer, software and peripherals for educational purposes.

An easy employee benefit...

It is easy to implement ConSern throughout your company. ConSern's team of professionals works with you to design an implementation program for you and your employees. ConSern takes care of all loan processing and employee inquiries. Companies make the program known to their employees.

Here's how the program works for companies:

Companies:

- distribute the information ConSern provides to your employees;
- maintain U.S. Chamber membership (if you're not a member of the U.S. Chamber, now's the time to join. Membership dues* are tax deductible as a business expense, not as a charitable contribution.);
- pay a *low* annual participation fee, based on your total number of employees.

ConSern:

- works with you and your subsidiaries or operating groups to implement a communications plan.
- handles applications mailed directly to ConSern by your employees.
- ensures your employees' confidentiality.
- answers employees' questions on our toll free hotline.
- processes applications.
- services loans throughout their existence.
- guarantees the loans against default.
- approves qualifying employee loan requests.
- assumes all legal and financial liability on ConSern loans.
- provides customer service for the term of the loan.

That adds up to minimal administration for sponsoring companies and maximum service for your company and your employees.

Increases employee loyalty and morale

Companies that offer ConSern are helping their employees to satisfy a need that is traditionally left to the individual to shoulder. Many parents still sink their life savings into college education for their children. With ConSern, that's no longer necessary. Nor is it necessary to tap valuable 401(k) plan benefits, intended to secure a comfortable retirement.

ConSern's low monthly payments allow employees to borrow *comfortably*, without risking future financial security or diminishing current life style.

Helps companies attract and retain good employees

ConSern is one more tool you can use to recruit and retain the best employees. Companies also have the option of working with ConSern to enhance the program for their own specialized recruitment and retention needs.

To summarize

ConSern is an employee benefit—available exclusively through the U. S. Chamber of Commerce—that addresses a growing need of employees. As an innovative benefit program, it is:

- affordable.
- popular with your employees.
- adaptable to your employees' and their families needs.
- easy to administer.
- useful in building employee loyalty.
- helpful in recruiting and retaining employees.

About the costs of borrowing through ConSern

The interest rate on a ConSern loan is based on the Commercial Paper Rate, as published in *The Wall Street Journal*, plus 3.6%. The ConSern rate is a variable monthly rate that fluctuates along with the Commercial Paper Rate. The average monthly ConSern loan rate since program inception has been 11.44%.

More important for your employees is how the interest rate translates into monthly payments. The following chart compares the monthly payments with a ConSern loan and the three major federal loan programs: the Stafford, PLUS, and SLS programs.

Comparison of Monthly Payments

	ConSern	Stafford	PLUS	SLS
Borrowing Limit, 1st year	$25,000	$2,625*	$4,000	$4,000
Cumulative maximum, 4 years	100,000	15,250	20,000	20,000

Loan Amount				
$1,500	$25.55	$50.00	$50.00	$50.00
2,500	42.59	50.00	70.88	70.88
5,000	102.22	112.50	184.51	184.51
10,000	170.36	187.17	307.52	307.52
15,000	255.54	**	461.28	461.28
20,000	340.72	**	615.05	615.04
25,000	425.91	**	**	**

*Maximum Stafford Loan amount: years 1 and 2. In years 3 and 4 maximum increases to $4,000.

**Loan amount exceeds cumulative maximum available under this program.

Note: The figures for ConSern are for repayments of principal and interest starting in the 5th year of the loan, having deferred principal for the first four years. Based on the average simple interest rate of 11.44% for ConSern since January 1987.

What other options do borrowers have?

The largest Federal loan program is the Stafford Student Loan Program. About 5.6 million students qualify for some financial aid under this program each year. With over 13 million students pursuing higher education, over 70% of American families are excluded from this option.

For those people—people like your employees—a ConSern loan is generally a more available option. There are home equity loans—but many families with college age children do not have much equity in their home (if they in fact own their own home) or are reluctant to drain the equity from their house. Or, they may already have borrowed against the equity in their home for other purposes.

There are unsecured loans available through commercial lenders, but these are not designed for educational needs. As a result, they offer smaller loan amounts (usually under $6,000), shorter payback terms (usually 3—5 years), and higher interest rates. The monthly loan payment on a $6,000 loan of this type at 16% repayable over 5 years, is $145.91. By comparison, the average monthly loan payment on a $6,000 ConSern loan is $59.08.

ConSern is the most cost effective loan available for your employees—it really helps families manage the costs of education.

Costs to the employee

The employee borrowing under the ConSern program pays:

- nonrefundable application fee of $45.00 payable with application.
- loan origination fee of 3.5% of the face amount of the loan (included in the amount borrowed). This pays program costs and default insurance that keeps the overall interest rate low.
- Monthly interest payments.
- monthly payments of principal (which may be deferred for up to four years until the student is out of college). This feature is not available for loans made for private secondary school education (grades 9-12).

COMMUNICATING WITH YOUR EMPLOYEES ABOUT CONSERN...

When you, as a member of the U. S. Chamber of Commerce, sign on as a participant in ConSern, you will receive communications support and literature from your account representative at ConSern headquarters.

Literature

You will receive brochures and application kits for your employees, written in language that's easy to understand and that answers their most frequent questions. Companies with over 1000 employees may choose to have their brochures and application kits customized with their company name and logo, in one color, at no extra charge.

Planning and collateral materials

In addition, you will receive numerous suggestions on how to communicate the program effectively to your employees. These include:

- employee communications plan and timetable;
- sample letter from management to your employees, announcing this new employee benefit;
- sample employee newsletter article, describing the program for your employees;
- sample payroll stuffer;
- posters for employee bulletin boards;
- a newsletter, *ConSerning*... three times a year with articles and stories about the ConSern program.

Ongoing customer service

Your account representative is a telephone call away. You will get all the ongoing support and service that you need to make your participation in the U. S. Chamber of Commerce ConSern loan program successful and trouble free. And your employees will have a toll free hotline available.

Important notes for U. S. Chamber members

1. **Company liability.** Sponsoring corporations are not liable for any loans made to their employees. ConSern loans are privately insured, and, in the event of default, the sponsor company bears absolutely no liability to repay the loan or collect from the employee.

2. **If an employee leaves,** his or her ConSern loan goes with the employee. The company has absolutely no responsibility to ConSern in the matter of any employee's loan.

3. **Administrative involvement.** All loan processing and all communication with employees regarding their loans are handled by ConSern. In the event that an employee does not qualify for a ConSern loan (on account of poor or insufficient credit), it is ConSern and not the employer that communicates with the employee. All loan processing is entirely confidential. Companies receive management reports on the number and aggregate amount of loans disbursed to their employees. These reports do not divulge employee identity. Employers are not involved in decisions regarding an employee's eligibility for a ConSern loan, nor in his or her performance regarding loan repayment.

HOW TO SIGN UP FOR THE U. S. CHAMBER OF COMMERCE CONSERN PROGRAM

It's simple. Consult the chart of participation fees (at right) to see how much this extremely *affordable* benefit will cost your company. Complete the agreement form and mail it in the envelope with a check for the annual participation fee made out to ConSern/Loans for Education.

Send the agreement and check to:

ConSern: Loans for Education
2055 Van Buren Street (Suite 200)
Herndon, VA 22070

When we have verified that your U. S. Chamber of Commerce membership is current, we will contact you regarding commencing the program for your employees.

It's that simple. So don't delay. Act now to bring this exceptional benefit to your employees.

U.S. Chamber ConSern: Loans for Education Company Participation Fee Schedule

Number of Employees	Annual Participation Fee
0-4	$ 50
5-50	75
51-100	125
101-250	300
251-500	500
501-750	750
751-1,000	1,000
1,001-1,500	1,500
1,501-2,500	2,500
2,501-3,500	3,500
3,501-5,000	5,000
5,001-7,500	7,500
7,501-15,000	10,000
15,001-30,000	12,500
30,001-45,000	15,000
over 45,000	17,500

Note: Participation fee is tax-deductible as a business expense, not as a charitable contribution.

CONSERN: LOANS FOR EDUCATION
SCHEDULE OF COMMUNICATIONS TO EMPLOYEES

The Communications Package includes the following materials:

* Sample letter from the President of your company to all employees to announce this new benefit program
* Article about ConSern to use in your company newsletter or magazine as an announcement of the program
* A guide on where and who to call when you have questions about ConSern or need to order additional materials
* "Q & A" booklet to answer your and your employee's questions about ConSern
* Tips on employee communications
* Promotional calendar that helps you in setting up a monthly schedule to promote ConSern within your organization
* Materials that correspond to each month of the promotional calendar

The materials enclosed are ideas that will help you in promoting ConSern within your organization. We will work with you to adapt these and other ideas that you may have, into a plan that meets with your corporate structure.

LETTER OF INTRODUCTION FROM THE PRESIDENT

Dear Employee:

We are pleased to announce a brand new benefit to all our employees. We are offering a new innovative student loan program entitled ConSern: Loans for Education. ConSern allows you to borrow for your family and yourself to help meet the costs of education at any accredited institution - private secondary schools, undergraduate, graduate or professional programs, and selected proprietary and trade schools approved by ConSern. The loan funds can be used for any costs of education, including tuition, room and board, books, computers, travel and other expenses.

In addition, the program is adaptable to almost anybody's need for financing, providing borrowers with competitive interest rates and long pay-back terms. And, ConSern loans are unsecured. This means that you are not putting up the equity in your home to finance your children's college education.

The loans are available immediately. The enclosed brochure describes the main features of the loan program. You can obtain more information and application materials from the Personnel/Benefits office.

The ConSern Loan program offers many unique features including:

* *Loan amounts from $1,500 to $25,000 per year, with a maximum of $100,000 over a four year period*
* *Competitive interest rates*
* *Eligibility based on credit worthiness rather than financial needs tests*
* *Simple application process*
* *Confidential loan processing*
* *15 year re-payment period with the option to defer principal payment while the student is in school*
  (Note: principal repayment deferral is not an option for loans made for private secondary education)

We hope that you find this new employee benefit to be useful in financing education for your children, spouse, or yourself. We look forward to helping you and your family achieve their educational goals.

Sincerely,

President and CEO

INTRODUCTORY ARTICLE FOR EMPLOYEE NEWSLETTER

This month our company will begin to offer a new benefit for all employees. It's called ConSern: Loans for Education, and it enables employees to apply for low-cost unsecured loans to meet the increasing costs of education for themselves or family members.

ConSern funds can be used for any accredited institution - private secondary schools (Grades 9 thru 12), proprietary and trade schools approved by ConSern, undergraduate, graduate or professional programs. Loan funds are available immediately and throughout the year. An employee may borrow from $1,500 to $25,000 per year, with an aggregate of $100,000. A very attractive feature of this student loan program is that the loan may be applied toward any college cost -- tuition, room and board, fees, books and equipment, including computers for school use and other related expenses. ConSern loans are based on credit-worthiness and the application process is quick and easy.

This program is an excellent service for all of our employees and their families. It is a financing option that does not force the family to "mortgage the house" or "sell the car". Interest rates are kept as low as possible. The ConSern loan program is a non-profit lender and works with funding based on the Commercial Paper Rate, traditionally the cheapest form of financing on the market.

Our involvement with ConSern reaffirms our company's commitment to identifying and supporting the needs of our employees. We look forward to working with the ConSern Loan program in offering all employees one of the most dynamic and flexible student loan programs available today.

We hope that you find this new employee benefit to be useful in financing the costs of education. If you have any questions or would like an application, please contact the Personnel/Benefits office.

FACTS AND NUMBERS:

* ConSern operating hours are 9:00am - 6:00pm Eastern time Monday through Friday.
* To order additional materials or to talk to your Account Executive, call 703-709-5626.
* Borrowers may call 1-800-SOS-LOAN to speak with one of our Loan Consultants about the application process, or to check the status of their loan.

CONSERN LOANS FOR EDUCATION® 12

Highlights and Facts

ConSern Loans for Education® is a program designed specifically to help students and their families finance the costs of education. ConSern loans feature high loan limits, long payback terms and competitive interest rates. College is expensive no matter what your family's income. That is why ConSern Loans for Education® is an ideal program for middle and upper income families who don't qualify for need based financial aid or who require cash for college.

WHO QUALIFIES?

BORROWER

1. Loan eligibility is determined through an evaluation of the Borrower's and/or Cosigner's income, payment obligations, and credit report(s).
2. Student, parents, or any other financially responsible person(s) who is borrowing on behalf of a student is eligible to apply for a ConSern loan. The person(s) on whose credit the loan is based (Borrower(s) or Cosigner(s)) must be a U.S. citizen or permanent resident alien of the United States.
3. The person(s) on whose credit the loan is based (Borrower(s) or Cosigner(s)) must be currently receiving at least $15,000 annually from all sources. Any employed person must be employed at least one year (12 consecutive months) at his/her present or any previous job.
4. The Borrower(s) and Cosigner(s) if any, must be at least 18 years of age at the time of application (19 if residing in Alabama, Nebraska and Wyoming; 21 if residing in Mississippi and Puerto Rico).

STUDENT

Students must be accepted for enrollment or currently enrolled full-time or part time (as defined by the school) in an accredited college, university or private secondary school (grades 9-12). ConSern loans may be used for secondary, undergraduate, graduate and professional education purposes. In addition, ConSern loans may also be used at certain approved proprietary schools.

HOW MUCH CAN YOU

1. You may borrow from $1,500 to $15,000 per year. A maximum of $60,000 may be borrowed by any individual Borrower.
2. Loans are made for the costs of attending school, including tuition, fees, room and board, transportation, books, personal expenses, supplies, computers, and other related expenses. *Complete a separate application when applying for more than one student or more than one school year.*
3. If the Borrower does not qualify for the full amount requested based on the credit review, a counteroffer may be made for a lesser amount. ConSern will notify the Borrower of the amount he or she is qualified to borrow.

WHAT ARE THE

1. Loans bear a variable interest rate based on the Commercial Paper Rate plus 4.10%. The Commercial Paper Rate used is the average of the higher of the 30 or 90-day per annum rate, as reported during the preceding monthly period in *The Wall Street Journal*. Any changes in the interest rate charged on the loan will take effect monthly and will be shown on your monthly bill.
2. Loan Origination Fees of 4% will be deducted prior to disbursement of the loan check. For example, a borrower approved for a $7,000 loan will receive a check for $6,720. These fees pay program costs and administrative fees.
3. There is a non-refundable application processing fee of $55.00 at the time the application is submitted.

WHEN WILL YOU

ConSern utilizes state of the art computer technology for processing applications, but we cannot process your application if it is incomplete.

- Apply early. Do not wait until the last minute to submit your application. *You can apply at any time during the year.*
- Be sure that all the information on your application is complete, legible, and that all questions are answered accurately. Both the application and promissory note must be signed and dated. Be sure to send all the requested documents (see Instructions) together with your application, application fee, and promissory note in the envelope provided.

If you meet the credit requirements for your loan request, a check will be mailed in approximately 2 to 4 weeks for the approved loan amount less the loan origination fee to the Borrower's address indicated on the application. If proof of the student's enrollment is not attached to your application, the loan check will be made co-payable to the Borrower and the school and mailed to the Borrower's address.

NOTE: If the loan amount requested is higher than the amount you are eligible to borrow based on the credit review or cost of education, the Borrower will be notified regarding the approved counteroffer amount.

WHEN DO YO

The repayment of your ConSern loan is spread over 12 years, but you may repay the loan in part or in full at any time without a prepayment penalty. Monthly repayment begins approximately 30 days after the check disbursement date. The Borrower will receive a monthly statement indicating the amount currently due which is calculated by adding (1) the amount of the principal due, based on whether or not you have elected to defer principal repayment (see deferred repayment below), and (2) the amount of accrued interest on the outstanding principal balance based on the current interest rate. The repayment options under the ConSern program are:

- **Immediate Principal Repayment.** Repayment of principal begins with the first scheduled billing. Principal is repaid in equal installments over 12 years (143 payments).
- **Deferred Principal Repayment** (interest only payments during the deferment period). A borrower may elect on the application and promissory note to make payments of interest only during the time that the student is in school, for a period not to exceed four years. The option to defer principal payments is not available to students enrolled at a preparatory (private secondary) school.

OTHER SPECI

1. ConSern loans may be used to pay the student's costs for the current academic year as well as outstanding balances for costs incurred by the student at an institution from previous enrollment periods provided that the student is enrolled at the time of application.
2. ConSern loans are unsecured. Unlike home equity loans, ConSern loans do not require any collateral, such as a mortgage on a home or a lien on property interests.
3. ConSern is a national, non-profit program, established by education and business leaders to provide financing for education.
4. ConSern is not a federal program. This program is not subject to Title IV of the Higher Education Act of 1965, as amended. This means you do not have to contend with the application requirements of the Stafford Student Loan (GSL) Program or other federal loan programs.

CONSERN LOANS FOR EDUCATION®

Instructions for Completing Application/Promissory Note

Please read the following information carefully to ensure accuracy when completing the attached forms. Be sure that all questions are answered completely. Since errors will delay the processing of your application. To provide quick processing of your application, it is important that you follow these instructions exactly. *When completing all forms be sure to type or print legibly using a ball point pen.* Do not separate copies until all forms are completed and signed.

1. Read all instructions and *review all* forms *before* completing the attached forms. **Please note that each Student requires a *separate* application.**
2. Follow the instructions on the back of the Borrower Application (and Cosigner Application) to complete the form. Borrower(s) [and Cosigner(s)] should **sign and date the Application(s)** and retain their respective copies.
3. Follow the Promissory Note instructions below to complete, sign and date the Promissory Note form. Borrower(s) and Cosigner(s) should retain their respective copies.
4. Enclose a **signed copy of the most recent Federal Tax Return as filed** for the Borrower(s) and Cosigner(s). If these forms are unavailable, refer to the instructions for other acceptable income verification documents.
5. Enclose a copy of the **student's proof of enrollment**. Acceptable items are an enrollment letter, a copy of tuition bill/receipt or a legible copy of student ID card.
6. Enclose a check for **$55.00 payable to ConSern Loans for Education** for the application processing fee.
7. Mail the **original copies of the Application(s), Promissory Note, and copies of Federal Tax Return(s), proof of enrollment and any other acceptable documents along with the application/fee check in the envelope provided to:**

ConSern Loans for Education®
205 Van Buren Street, Suite 200
Herndon, Virginia 22070

PROMISSORY NOTE

1. Please sign and date the Promissory Note must read both sides prior to signing.
2. Print the Borrower(s) name(s) and social security number(s).
3. Print the Cosigner(s), print the Cosigner(s) name(s) and social security number(s).
4. Enter the requested loan amount on the application (Item 30) in both numerical and literal format. (For example: $7,250.00 Seven Thousand Two Hundred Fifty and 00/100.)
5. Borrower and Cosigner(s) if any, must sign and date the promissory note.
6. If a Cosigner(s) is used for this loan, the Borrower must complete any applicable blanks on the Notice to Cosigner(s) form and deliver it to the Borrower(s) to read *before* the Cosigner(s) signs the Cosigner Application form and Promissory Note. The Cosigner(s) should retain a copy.
7. Check the appropriate option of Deferment of Principal (as indicated in Item 31 (Repayment Option) on the Application Form.

If the promissory note contains any changes, deletions or corrections, the promissory note will be considered unacceptable and void. If the application is not acceptable, we will send you a new promissory note to be completed and signed. This will delay the disbursement of your loan proceeds.

THIS BOOKLET HAS SIX PARTS:

1. Highlights and Facts and Instructions
2. Borrower Application (in duplicate)
3. Notice to Cosigner
4. Cosigner Application (in duplicate)
5. Promissory Note (in triplicate)
6. Return envelope

In order to complete the applications and note, first remove them by tearing along the perforation where indicated.

If you have questions at any time during the loan application process, please call:

1-800-SOS-LOAN

CONSERN LOANS FOR EDUCATION*
Borrower Application

BEFORE COMPLETING THIS APPLICATION REMOVE THIS FORM FROM BOOK AND READ INSTRUCTIONS ON REVERSE SIDE

BORROWER

CO-BORROWER

BORROWER APPLICATION

REMOVE THIS FORM BOOK BEFORE THIS PAGE BEFORE COPYING

INCOME

	Borrower	Coborrower
	$	$
	$	$
	$	$
	$	$
TOTAL ANNUAL INCOME	$	$

ASSETS

	Borrower	Coborrower
	$	$
	$	$
	$	$
	$	$
TOTAL ASSETS	$	$

LIABILITIES AND EXPENSES

TOTAL LIAB. & EXPENSES			

SCHOOL INFORMATION

LOAN AMOUNT

A. TUITION, FEES AND BOOKS	$
B. ROOM AND BOARD	$
C. *COMPUTER (MAX. $3,000.00)	$
D. OTHER (SPECIFY)	$
E. TUITION AND OTHER EXPENSES FOR ANTICIPATED YEAR(S) ____ 19____ TO ____ 19____	$
F. SUBTOTAL (ADD "A" THRU "E")	$
G. LESS FINANCIAL AID	$
H. TOTAL (SUBTRACT "G" FROM "F")	$
I. LOAN AMOUNT (Divide "H" by 0.96) Rounding Loan Upward if Needed	$

(WE) READ, UNDERSTAND AND AGREE TO THE TERMS OF THE BORROWER CERTIFICATION PRINTED ON THE REVERSE SIDE OF THIS APPLICATION

Signature | Date | Signature | Date

* SEE INSTRUCTIONS ON REVERSE SIDE FOR LOAN APPLICATION REQUIREMENTS

ORIGINAL

CONSERN LOANS FOR EDUCATION®

Borrower Application Instructions

To be completed by the person(s) who is obtaining the loan and will be obligated to repay the loan. The person(s) can be the student, a relative, or other financially responsible person(s) willing to borrow money on behalf of a student. If the Borrower(s) believes a Cosigner(s) is necessary to strengthen the application, then Cosigner(s) must complete the Cosigner Application.

BORROWER(S) INFORMATION

Item 1. Student Borrower - Check box if Borrower is the Student.

Item 2. Social Security Number - Print your social security number. If you do not have a social security number because you are not a United States citizen or permanent resident alien, the loan request will not qualify under the ConSern loan guidelines and the application should not be submitted. If you are applying with a Cosigner who is a United States citizen or permanent resident alien, your loan application does qualify under the ConSern loan program guidelines and the application may be submitted.

Item 3. Date of Birth - Print the month, day and year of your birth. *Use numbers only.* The Borrower(s) must be at least 18 years of age at the time of application (19 if residing in Alabama, Nebraska, and Wyoming, 21 if residing in Mississippi and Puerto Rico) to qualify under ConSern loan guidelines. If any Borrower does not meet this requirement, other creditworthy individual(s) who meet this and other program guidelines must apply as Borrower(s).

Item 4. Name - Print your last name, first name, and middle initial. Use your full legal name (no nicknames).

Item 5. Permanent Address - Print your permanent home address and years of residency. Include your street address, RFD or post office box on one line, city, state and zip code where indicated. A temporary or military address IS NOT acceptable. If Coborrower is not residing at same address as Borrower, then Coborrower must apply as Cosigner.

Item 6. Billing Address - Indicate your billing address if it is different from your permanent address. Please be accurate because this address will be used to *mail your loan check and your monthly bills.*

Item 7. Telephone Number - Enter your permanent home telephone number. Include your area code. If you do not have a telephone, you must list a telephone number where you can be reached.

Item 8. Citizenship - You must indicate if you are a citizen or permanent resident alien of the U.S. Indicate "Yes" if you are a U.S. citizen, a permanent resident of the Northern Mariana Islands, the Trust Territory of the Pacific Islands or a U.S. National (a citizen of American Samoa or Swains Island).

If you are a U.S. permanent resident alien with an Alien Registration Receipt Card (I-151 or I-551) or an eligible alien with a Departure Record (I-94) from the U.S. Immigration and Naturalization Service that says "refugee", "asylum granted", "indefinite parole" "humanitarian parolee" or "Cuban Haitian entrant" indicate "Yes" and give the I.D. number from the appropriate document in the space provided. If you are applying with a Cosigner who is a United States citizen or permanent resident alien, your loan application does qualify under the ConSern loan program guidelines and the application may be submitted. If the Borrower indicates "No" and there is no Cosigner, the loan request will not qualify under the ConSern loan program guidelines and the application should not be submitted.

Item 9. Bankruptcy - You *must* indicate if you have filed for bankruptcy within the last six years. If the Borrower(s) indicates "Yes" the loan request will not qualify under the ConSern loan program guidelines and the application should not be submitted.

Item 10. Prior Default - You *must* indicate here if you have ever defaulted on a student loan. Default means that you have been more than 120 days late in making a payment on a loan. This is the loan request will not qualify under the ConSern loan program guidelines and the application should not be submitted.

Item 11. Employer - List your present employer's name, full address, including suite number, city, state and zip code and indicate full time or part time employment. If you are "Self Employed" or "Retired" indicate here. Include your daytime area code and telephone number.

Items 12 & 13. Years - Enter the number of years you have worked for the employer listed in Items 11 & 14 respectively. The Borrower(s), unless retired, must be employed at least *one year* with present or any previous employer to qualify under the ConSern loan program guidelines. If you do not meet this requirement, you will need a Cosigner who meets this and other program guidelines.

Items 13 & 16. Position - Enter your title or position with the employers listed in Items 11 and 14 respectively.

Item 14. Previous Employer - List your previous employer's name, address and telephone number.

Item 17. Reference - List the name, address, and home telephone number of your nearest living relative residing in the United States other than the Cosigner(s). Borrower(s) and Cosigner(s) should have different references.

INCOME*

Item 18. Income Source and Amount - List amounts and sources of verifiable income. Indicate your gross annual salary and, in addition, list any additional stable recurring income such as commission income, interest and dividends, income from rental property, VA or social security benefits, pension, annuities, etc. Income that is not stable or is sporadic in nature such as seasonal or occasional overtime should not be included. The person(s) on whose credit the loan is based (Borrower(s) or Cosigner(s)) must be receiving at least $15,000 annually from all sources to qualify under the ConSern loan program guidelines. For each source of income listed which is not verifiable on your Federal Income Tax Return, you must attach to the application separate documents which indicate the source and amount of income. Acceptable income verification documents are copies of:

- Signed Federal Tax form 1040 and all its variations and schedules as filed.

INCOME - Item 18 (Continued)

- Federal Tax withholding form W-2 or equivalent tax withholding form
- Federal Income Tax form 1099 (for interest income only)
- Signed State Income Tax form
- Social Security System Statement of Income/Benefits
- VA Statement of Disability/Retirement Income
- LES statement for active duty military or reserve officers
- Letter from employer
- Court order

If you are applying as an individual Borrower and filed a joint Federal Income Tax Return, then you must submit an individual income verification document.

Self employed individuals must attach their most recent Federal Income Tax Return and all schedules including Schedule C. *Other income such as alimony, child support or separate maintenance income need not be revealed if you do not want to have it considered as income for this application.*

ASSETS*

Item 19. List the source and amount of all assets in excess of $100, such as bank deposits, stocks, bonds, retirement funds (excluding thrift and Keogh(s) plans) and real estate (primary and other property). Add the amount of all assets listed and print the dollar amount.

LIABILITIES AND EXPENSES

Item 20. List all indebtedness in excess of $100 such as store and bank credit cards, bank, credit union and finance company loans, and/or leases, mortgage payments on principal residence and/or any other property including rental property alimony, child support and separate maintenance. Use additional sheets if necessary. List the creditor, account number, monthly payment and current unpaid balance. Indicate whether you own your home or rent. Enter the total dollar amount of your monthly payments and current unpaid balances.

STUDENT INFORMATION

Item 21. Social Security Number - Print the student's social security number. If the student does not have a social security number enter N/A.

Item 22. Name - Print the student's last name, first name, and middle initial. Indicate student's state of residency.

Item 23. Date of Birth - Print the month, day and year of the student's birth. Use numbers only.

SCHOOL AND LOAN INFORMATION

Item 24. School - Enter the full name of the school without abbreviation. List the address and telephone number.

Item 25. School Year - Enter the dates for the school term for which the application for this loan is made. If the requested loan amount includes amounts for previous year(s) then you must attach tuition receipts or bills for those periods.

Item 26. Enrollment - Check the enrollment status (as defined by the school) for the loan period. Attach a copy of the student's proof of enrollment. Acceptable items are: Enrollment Letter, Tuition Bill/Receipt, and Current Student ID Card.

Item 27. Grade Level - Enter the student's grade level during the loan period. (It doesn't matter if the student will use the loan for only part of the school year.)

00	preparatory (private secondary grades 9-12)	06	first year graduate
01	first year undergraduate (freshman)	07	second year graduate
02	second year undergraduate (sophomore)	08	third year graduate
03	third year undergraduate (junior)	09	fourth year graduate
04	fourth year undergraduate (senior)	10	beyond fourth year graduate
05	fifth year undergraduate		

Item 28. Disbursement Date - Enter the date you desire to have your check disbursed. If you do not indicate a date your loan check will be disbursed immediately upon approval. *(Note: The disbursement date must be within 90 days of the date your application is received by ConSern.)*

Item 29. Anticipated Graduation Date - Enter the expected graduation date.

Item 30. Loan Amount - Enter the loan amount requested for tuition and fees, room and board, computer (*an invoice or purchase order for the cost of the computer must be attached; maximum $3,000.00*) and other related expenses. Include out-of-state tuition, off campus living and transportation expenses. *If you exceeded your amount for previous years' tuition and expenses, then you must attach a copy of the bills outstanding covering those years.* If the loan amount you request is higher than the amount you are eligible to borrow based on the credit review, a new promissory note will be created to the borrower's address for the approved amount.

Item 31. Repayment Option - Check the appropriate box to indicate whether you want to be billed either for the immediate repayment of the principal or on a deferred basis for the repayment of the principal.

- Immediate Principal Repayment - Repayment of principal begins with first scheduled billing and is billed in 143 equal installments.
- Deferred Principal Repayment - Borrower may elect to pay interest only until the Graduation Date indicated in Item 29 or four (4) years from the date of the disbursement check whichever period is less. Repayment of principal and interest will begin on the following month after the deferment period.

BORROWER'S CERTIFICATION

You must sign and date this application in the space provided. Before you sign, carefully review the certification that is printed below. When you sign your name, you are agreeing to what the certification says.

I certify that everything that I have stated in this application is correct and true to the best of my knowledge. I understand that the Lender will retain this application whether or not it is approved. I authorize the Lender to check my credit and employment history and to answer questions about the Lender's credit experience with me. I further authorize the release of this application and any attachments to the agent of the Lender or any subsequent Note Holder for the purpose of making and servicing and collecting this loan. I certify that the proceeds of any loan made as a result of this application will be used for educational purposes of the educational institution named on this form. I understand that the Lender may make the loan check payable to the borrower(s) and the educational institution.

*Applies to married Wisconsin residents. No provision of any marital property agreement, unilateral statement or court decree adversely affects the interests of the creditor unless the creditor, prior to the time the credit is granted, is furnished a copy of the agreement, statement or decree or has actual knowledge of the adverse provision.

CBF 1435

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CONSERN LOANS FOR EDUCATION®

Federal
NOTICE TO COSIGNER

You are being asked to guarantee this debt. Think carefully before you do. If the borrower doesn't pay the debt, you will have to. Be sure you can afford to pay if you have to, and that you want to accept this responsibility.

You may have to pay up to the full amount of the debt if the borrower does not pay. You may also have to pay late fees or collection costs, which increase this amount.

The creditor can collect this debt from you without first trying to collect from the borrower. The creditor can use the same collection methods against you that can be used against the borrower, such as suing you, garnishing your wages, etc. If this debt is ever in default, that fact may become a part of your credit record.

This notice is not the contract that makes you liable for the debt. You will become obligated when you cosign the Promissory Note for the loan.

Unless you reside in one of the states below, the above notice must be read and understood before you sign the Promissory Note.

NOTICE TO COSIGNER

New York Residents
NOTICE

New York borrower(s) must complete this section.

You agree to pay the debt identified below although you may not personally receive any property, services, or money. You may be sued for payment although the person who receives the property, services, or money is able to pay. This notice is not the note, contract, or other writing that obligates you to pay the debt. Read that writing for the exact terms of your obligation.

IDENTIFICATION OF DEBT YOU MAY HAVE TO PAY

_____
(NAME OF BORROWER(S))

Norwest Bank South Dakota, N.A.
(THE LENDER)

_____
(DATE)

Private Student Loan
(KIND OF DEBT)

(maximum $15,000)
(LOAN PRINCIPAL)

I have been given a completed copy of this notice and of each writing that obligates me or the Debtor on this debt. My acknowledgement is on the Promissory Note.

Cosigner please retain for your records.

CBF1435

CONSERN LOANS FOR EDUCATION®

Wisconsin Residents
EXPLANATION OF PERSONAL OBLIGATION

Wisconsin borrower(s) must complete this section

a. You have agreed to pay the total of payments under a consumer credit transaction between _____ (name of Borrower(s)) and Norwest Bank South Dakota, N.A. (the Lender) made on _____ (date of transaction) for a private student loan in the amount of $ _____ (maximum $15,000)

b. You will be liable and fully responsible for payment of the above amount even though you may not be entitled to any of the goods, services or loan furnished thereunder.

c. You may be sued in court for the payment of the amount due under this consumer credit transaction even though the customer named above may be working or have funds to pay the amount due.

d. This explanation is not the agreement under which you are obligated, and the guaranty or agreement you have executed must be consulted for the exact terms of your obligations.

e. You are entitled now, or at any time, to one free copy of any document you sign evidencing this transaction.

f. The cosigner acknowledges receipt of an exact copy of this notice by signing the Promissory Note.

California Residents
NOTICE OF COSIGNER
(Traduccion en Ingles Se Requiere Por La Ley)

You are being asked to guarantee this debt. Think carefully before you do. If the borrower doesn't pay the debt, you will have to. Be sure you can afford to pay if you have to, and that you want to accept this responsibility.

You may have to pay up to the full amount of the debt if the borrower does not pay. You may also have to pay late fees or collection costs, which increase this amount.

The creditor can collect this debt from you without first trying to collect from the borrower. The creditor can use the same collection methods against you that can be used against the borrower, such as suing you, garnishing your wages, etc. If this debt is ever in default, that fact may become a part of your credit record.

This notice is not the contract that makes you liable for the debt.

AVISO PARA EL FIADOR
(Spanish Translation Required by Law)

Se le está pidiendo que garantice esta deuda. Pienselo con cuidado antes de ponerse de acuerdo. Si la persona que ha pedido este prestamo no paga la deuda, usted tendra que pagarla. Este seguro de que usted podrá pagar si sea obligado a pagarla y de que usted desea aceptar la responsabilidad.

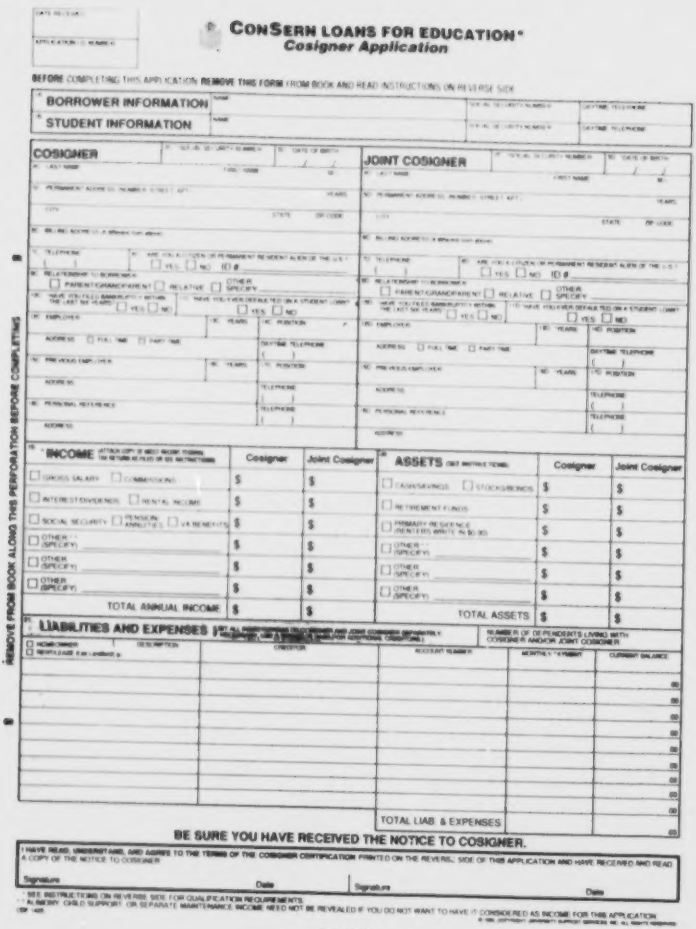
Si la persona que ha pedido el prestamo no paga la deuda, es posible que usted tenga que pagar la suma total de la deuda, mas los cargos por tardarse en el pago o el costo de cobranza, lo cual acumenta el total de esta suma.

El acreedor (financiero) puede cobrarle a usted sin, primeramente, tratar de cobrarle al deudor. Los mismos metodos de cobranza que peuden usarse contra el deudor, podran usarse contra usted, tales como presentar, una de manda en corte, quitar parte de su sueldo, etc. Si alguna vez no se cumple con la obligacion de pagar esta deuda, se puede incluir esa informacion en la historia de credito de usted.

Este aviso no es el contrato mismo en que le echa a usted la reponsebilidad de la deuda.

Cosigner please retain for your records.

CPF1435



CONSERN LOANS FOR EDUCATION*
Cosigner Application

BEFORE COMPLETING THIS APPLICATION REMOVE THIS FORM FROM BOOK AND READ INSTRUCTIONS ON REVERSE SIDE

COSIGNER APPLICATION

REMOVE FROM BOOK ALONG THIS PERFORATION BEFORE COMPLETING

REMOVE THIS 2 PART SCHEDULE FROM BOOK OR FILE LEFT SIDE AND READ INSTRUCTIONS ON REVERSE BEFORE COMPLETING

BORROWER INFORMATION

STUDENT INFORMATION

COSIGNER

JOINT COSIGNER

INCOME	Cosigner	Joint Cosigner
GROSS SALARY / COMMISSIONS	$	$
INTEREST/DIVIDENDS / RENTAL INCOME	$	$
SOCIAL SECURITY / PENSION/ANNUITIES / VA BENEFITS	$	$
OTHER (SPECIFY)	$	$
OTHER (SPECIFY)	$	$
OTHER (SPECIFY)	$	$
TOTAL ANNUAL INCOME	$	$

ASSETS	Cosigner	Joint Cosigner
CASH/SAVINGS / STOCKS/BONDS	$	$
RETIREMENT FUNDS	$	$
PRIMARY RESIDENCE (RENTERS, WRITE IN $0.00)	$	$
OTHER (SPECIFY)	$	$
OTHER (SPECIFY)	$	$
OTHER (SPECIFY)	$	$
TOTAL ASSETS	$	$

LIABILITIES AND EXPENSES

NUMBER OF DEPENDENTS LIVING WITH COSIGNER AND/OR JOINT COSIGNER

CREDITOR	ACCOUNT NUMBER	MONTHLY PAYMENT	CURRENT BALANCE
TOTAL LIAB. & EXPENSES			

BE SURE YOU HAVE RECEIVED THE NOTICE TO COSIGNER.

I HAVE READ, UNDERSTAND, AND AGREE TO THE TERMS OF THE COSIGNER CERTIFICATION PRINTED ON THE REVERSE SIDE OF THIS APPLICATION AND HAVE RECEIVED AND READ A COPY OF THE NOTICE TO COSIGNER.

Signature Date Signature Date

* SEE RESTRICTIONS ON REVERSE SIDE FOR QUALIFICATION REQUIREMENTS.

ORIGINAL

ConSern Loans for Education

Cosigner Application Instructions

To be completed by the Cosigner(s) if the Borrower(s) believes a Cosigner(s) is necessary to strengthen the application. If the Borrower(s) has no credit history or does not earn at least $15,000 annually, the Borrower(s) must have a Cosigner(s).

Items 16. Borrower - Print Borrower's name, social security number, and daytime telephone number from Borrower Application form.

Item 18. Student - Print student's name, social security number, and telephone number from Borrower's Application form.

COSIGNER(S) INFORMATION

Item 2. Social Security Number - Print your social security number. If you do not have a social security number because you are not a United States citizen or permanent resident alien, the loan request will not qualify under the ConSern loan guidelines and this application should not be submitted.

Item 3. Date of Birth - Print the month, day and year of your birth. *Use numbers only.* The Cosigner(s) must be at least 18 years of age at the time of application (19 if residing in Alabama, Nebraska, and Wyoming; 21 if residing in Mississippi and Puerto Rico) to qualify under ConSern loan guidelines. If any Cosigner does not meet this requirement, other creditworthy individual(s) who meet this and other program guidelines must apply as Cosigner(s).

Item 4. Name - Print your last name, first name, and middle initial. Use your full legal name (no nicknames).

Item 5. Permanent Address - Print your permanent home address and years of residency. Include your street address, RFD or post office box, on one line; city, state and zip code where applicable. A temporary or military address IS NOT acceptable.

Item 6. Billing Address - Indicate your mailing address if it is different from your permanent address. Please be accurate because this address will be used to mail all notices and correspondence.

Item 7. Telephone Number - Enter your permanent home telephone number. Include your area code. If you do not have a telephone, you *must* list a telephone number where you can be reached.

Item 8. Citizenship - You must indicate if you are a citizen or permanent resident alien of the U.S. Indicate "Yes" if you are a U.S. citizen, a permanent resident of the Northern Mariana Islands, the Trust Territory of the Pacific Islands or a U.S. National (a citizen of American Samoa or Swains Island).

If you are a U.S. permanent resident alien with an Alien Registration Receipt Card (I-151 or I-551) or an eligible alien with a Departure Record (I-94) from the U.S. Immigration and Naturalization Service that says "refugee", "asylum granted", "indefinite parole", "humanitarian parole", or "Cuban-Haitian entrant", indicate "Yes" and give the I.D. number from the appropriate document in the space provided. If you are applying with a Cosigner who is a United States citizen or permanent resident alien, your loan application does qualify under the ConSern loan program guidelines and the application may be submitted. If the Cosigner indicates "No", the loan request will not qualify under the ConSern loan program guidelines and the application should not be submitted.

Item 9. Relationship - Indicate your relationship to Borrower(s).

Item 10. Bankruptcy - You must indicate if you have filed for bankruptcy within the last five years. If the Cosigner(s) indicates "Yes", the loan request will not qualify under the ConSern loan program guidelines and the application should not be submitted.

Item 11. Prior Default - You must indicate if you have ever defaulted on a loan. Default means you failed to make payments on a loan as agreed or failed to make a payment not a short 30-day(?) within the loan period after lender on your behalf. If the Cosigner(s) indicates "Yes", the loan request will not qualify under the ConSern loan program guidelines and the application should not be submitted.

Item 12. Employer - Give your present employer's name, full address including suite number, city, state and zip code and indicate full time or part time employment. If you are "Self Employed" or "Retired", indicate such. Include your daytime area code and telephone number.

Items 13 & 15. Years - Enter the number of years you have worked for the employer listed on items 12 & 15 respectively. The Cosigner(s), unless retired, must be employed at least one year with present or any previous employer to qualify under the ConSern loan program guidelines. If you did not meet this requirement, you will need a Cosigner who meets this and other program guidelines.

Items 14 & 17. Position - Enter your title or position with the employers listed in Items 12 and 15 respectively.

Item 15. Previous Employer - List your previous employer's name, address and telephone number.

Item 19. Reference - List the name, address and home telephone number of your nearest living relative residing in the United States other than the Cosigner(s). Borrower(s) and Cosigner(s) should have different references.

INCOME

Item 20. Income Source and Amount - List amounts, and source of verifiable income. Indicate your gross annual salary and, in addition, list any additional stable recurring income such as commission income, interest and dividends, income from rental property, VA or social security benefits, pension annuities, etc. Income that is not stable or is sporadic in nature such as seasonal or occasional overtime should not be included. Any Cosigner(s) on whose credit the loan is based must be receiving at least $15,000 annually from all sources to qualify under the ConSern loan program guidelines. For each source of income listed which is not verifiable on your Federal Income Tax Returns, you must attach to the application separate documents which indicate the source and amount of income. Acceptable income verification documents are limited to:

- Signed Federal Tax form 1040 and all its variations and schedules as filed
- Federal Tax withholding form W-2 or equivalent tax withholding form
- Federal Income Tax form 1099 (for interest income only)
- Signed State Income Tax form
- Social Security System Statement of Income/Benefits
- VA Department of Disability/Retirement Income
- DFAS-issued W2 for active duty military/reserve officers
- Letter from employer
- Court order

If you are applying as an individual Cosigner and filed a joint Federal Income Tax Return, then you must submit an individual income verification document.

Self employed individuals must attach their most recent Federal Income Tax Return and all schedules including Schedule C. Other income such as alimony, child support or separate maintenance income need not be revealed if you do not want to have it considered as income for the application.

ASSETS

Item 20. List the source and amount of all assets in excess of $100, such as bank checking, savings, bonds, U.S. government bonds (excluding thrift and Keogh(s) plans) and real estate (primary and other properties). Total the amount of all assets listed and place the total dollar amount.

Item 21. List all indebtedness in excess of $100, such as store and bank credit cards, bank, credit union and finance company loans, and/or lease, mortgage payments on principal residence and/or any other property including rental property, and alimony, child support and separate maintenance. Use additional sheets if necessary. List the creditor, account number, monthly payment and the current unpaid balance. Indicate whether you own your home or rent. Enter the total dollar amount of your monthly payments and current unpaid balance.

BE SURE YOU HAVE READ AND READ THE NOTICE TO COSIGNER PRIOR TO SIGNING THE COSIGNER APPLICATION FORM AND PROMISSORY NOTE.

COSIGNER'S CERTIFICATION

You must sign and date this application in the space provided. Before you sign, carefully review the certification that is printed below. When you sign your name, you are agreeing to what the certification says.

I certify that everything that I have stated in this application is correct and true to the best of my knowledge. I understand that the Lender will retain this application whether or not it is approved. I authorize the Lender to check my credit and employment history and to exchange information about the Lender's credit experience with me. I further authorize the release of this application and any information in the report of the credit bureau obtained by the Lender for the purpose of making and servicing this loan. I understand that the Lender may sell the loan made as a result of this application and that the loan may be transferred to another institution without notice to me. I understand that I cannot deny under the laws should payable to the borrower(s) and the educational institution.

CSF1436

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PROMISSORY NOTE

1. Promise to Pay
In return for the loan that I/we will receive

I/We _____ SS# _____ and
_____ SS# _____

the Borrower(s) and

I/We _____ SS# _____ and
_____ SS# _____

the Cosigner(s) jointly and severally promise to pay to the order of Norwest Bank South Dakota, N.A. (the "Lender"), the Principal Sum of U.S. $ _____ (the "Principal Sum"), to the extent it is advanced to or on behalf of the Borrower, to pay interest thereon as set forth below in the section entitled Interest, to pay the Loan Origination Fees as set forth in the section below and to pay all late charges, reasonable attorney's fees, and other costs and charges necessary for the collection of any amount not paid when due. Payments on this Note shall be made on behalf of the Lender to the Servicer at the Servicer's address set forth below or as otherwise requested by the Lender. If not sooner paid, the entire outstanding principal balance, accrued interest and fees and costs, if any, shall be due and payable in full 143 months from the first monthly due date, as described in section 7 below.

2. Disbursement
If the application for the loan evidenced by this Note is approved and there is sufficient proof of enrollment for the student, the loan disbursement check shall be payable solely to the Borrower(s) and mailed to the Borrower(s). If the application for the loan evidenced by this Note is approved and there is no proof of enrollment for the student, the loan disbursement check shall be made co-payable to the Borrower(s) and the school at which the student is enrolled and mailed directly to the Borrower(s).

The loan disbursement check may be co-payable to the Borrower(s) and the School and shall be accompanied by the disclosures required by the federal Truth-In-Lending law. By endorsing the loan disbursement check, I/we (Borrower(s)) will be acknowledging receipt of the Truth-In-Lending disclosures.

The Borrower(s) and the Cosigner(s) are contractually obligated on this Note only if the loan disbursement check is endorsed or otherwise cashed or deposited. If the loan disbursement check is not cashed or deposited within 30 days of the date on the check, the loan disbursement check may be cancelled and a new application may be required before a second loan disbursement may be issued.

3. Interest
Interest accrues on the outstanding principal balance of the Note beginning on the date of the loan disbursement check (the "Loan Disbursement Date") and ending on the day prior to the date this Note is paid in full. Such interest shall be payable each month and shall accrue on a daily basis at a variable per annum rate (calculated on the basis of a year of 365 or 366 days, as appropriate, for the actual number of days elapsed) equal to the Commercial Paper Rate, as defined below, plus 5.1 percentage points per annum. The interest rate charged on the Note may increase if the Commercial Paper Rate increases. The interest rate charged on this Note may also be increased in the Lender's or its Assignee's discretion if increases occur in the costs associated with the administration of the Corrigan student loan program under which the loan is made. However, the interest rate charged on this Note will not increase to more than 5.1 percentage points per annum above the Commercial Paper Rate. The Lender or its Assignee will notify the Borrower(s) of any increased rate resulting from such increased costs at least 90 days prior to the effective date of the increased rate due to such increased costs.

The Commercial Paper Rate shall be calculated by taking the average of the higher of the 30-day or 90-day per annum rate on commercial paper as reported in the first publication during the monthly period in *The Wall Street Journal* on each day that *The Wall Street Journal* publishes per annum commercial paper rates for 30-day or 90-day high grade unsecured notes sold through dealers by major corporations in multiples of $1,000. Any change in the interest rate charged on this Note will take effect on the first business day of each calendar month and shall remain in effect until further changed.

In the event that the reporting of the Commercial Paper Rate is discontinued or substantially altered, the Lender or its Assignee, may, at its option, choose another reasonably comparable index. If this happens, the substitute index will be considered to be the Commercial Paper Rate under this Note. However, it may be necessary to further adjust the number of percentage points above the substituted index in determining the interest rate to be charged on this Note.

In no event will the interest rate charged exceed the maximum interest rate that the Lender, as a national bank located in the State of South Dakota, may charge.

4. Loan Origination Fee
The Borrower(s) and the Cosigner(s) will pay Loan Origination Fees. The Fees equal four percent (4.0%) of the Principal Sum of the Note as set forth above and is assessed only once. The Principal Sum of this Note equals the amount of the loan disbursement check plus the Loan Origination Fees. The Borrower(s) and Cosigner(s) understand that because they are paying the Loan Origination Fees they are paying a lower per annum interest on this Note than if they had not paid the Loan Origination Fees.

5. Election of Deferment of Principal
The Borrower(s) does / does not (circle appropriate choice) elect to have deferment of the repayment of principal apply. If the Borrower(s) makes no election, deferment of repayment of principal shall not apply. Deferment of the repayment of principal is only available when the Borrower (or the student on whose behalf this loan is made) is a student at a qualified post-secondary educational institution. Interest shall accrue and be payable monthly during any deferment period.

6. Amount of Principal Due/Deferment of Principal
Deferment of principal may be available for a period of time not exceeding four years if the Borrower (or the student on whose behalf the loan is made) continues to attend a qualified educational institution.

If the Borrower(s) has not elected or has not qualified for deferment of principal, the amount of principal due each month shall be equal to 1/143rd of the Principal Sum.

If the Borrower(s) has elected and has qualified for deferment of principal, repayment of principal on the Note may be deferred for a period not to exceed four years from the Loan Disbursement Date so long as the Borrower (or the student on whose behalf the loan is made, as the case may be) remains enrolled in a qualified educational institution. The amount of principal due each month during any such deferment period shall be zero. However, interest shall accrue and be payable monthly during any such deferment period.

This deferment period will expire on whichever of the following events shall first occur: (1) when the Borrower (or the student, as the case may be) ceases to be enrolled in a qualified educational institution or (2) at the expiration of four years from the Loan Disbursement Date. After the deferment period expires, the amount of principal due each month shall be calculated by dividing the then outstanding principal balance by the number of months remaining. The number of months remaining shall be determined by subtracting the number of months that have elapsed since the Loan Disbursement Date from 143.

7. Repayment
Repayment shall be made in monthly installments over a 12 year period from the Loan Disbursement Date. The Borrower(s) will receive a monthly statement indicating the amount of the monthly installment due. The first monthly installment will include interest accruing on the Principal Sum from the Loan Disbursement Date. The first monthly installment will be due within 45 but not less than 30 days following the Loan Disbursement Date. Thereafter, payments shall be made monthly due on the same day of the month as the first payment was due. The amount of each monthly installment due shall be calculated by adding (1) the amount of principal due, as determined under section 6 above, and (2) the amount of interest estimated to be due on the payment due date based on the then current rate of interest on the Note.

Payments received shall be allocated in the following order: (1) to late charges and expenses of the lender in connection with collecting any past due amounts, if any, (2) to accrued interest, and (3) to outstanding principal.

8. No Binding Contract Until Endorsement
The loan disbursement check will be accompanied by Truth-in-Lending disclosures. The Truth-in-Lending disclosures should be read and retained by the Borrower(s) before the loan disbursement check is endorsed. The Borrower(s) and Cosigner(s) (if any) is not obligated on this Note until the Borrower(s) endorses the loan disbursement check.

Please turn over, continued on reverse side →

I/We have read [illegible] and agree to the terms.

Signature of Borrower _____ Date _____

Signature of Borrower _____ Date _____

Cosigner(s)

I/We hereby acknowledge that I/we have received the federal Truth-In-Lending disclosure statements required by law, and have read and understand the contents. I/We also acknowledge that I/we have read and agree to the Promissory Note of even date herewith, understand it and agree to be bound by its terms.

Signature of Cosigner (if any) _____ Date _____

Signature of Cosigner (if any) _____ Date _____

Lender:
Norwest Bank South Dakota, N.A.
Norwest Student Loan Center
Sioux Falls, SD 57117

Servicer:
First Wachovia Student Financial Services, Inc.
P.O. Box 2601
Winston Salem, NC 27102

ORIGINAL

PROMISSORY NOTE

REMOVE this 2-part Promissory Note from book on the LEFT side and read instructions for completing Promissory Note.

ADDITIONAL TERMS OF THE PROMISSORY NOTE (Continued from Other Side)

9. Refund for Non-Attendance

The Borrower(s) and the Cosigner(s) agree that any educational institution may, in accordance with its refund policies, pay directly to the Servicer or such person or entity as the Lender directs, the amount of any refund of tuition, fees or other expenses paid from the proceeds of this Note. The Borrower(s) and the Cosigner(s) further agree that the Borrower(s) (or the student on whose behalf the loan is made) or the Cosigner(s) will immediately deliver to the Servicer or to such entity as the Lender directs, along with a written explanation, the amount of any such refund of tuition, fees or other expenses that the Borrower(s) (or the student on whose behalf the loan is made) or the Cosigner(s) may receive.

The Servicer or Lender shall apply any such refund to the amounts then owing under this Note. If the amount of the refund exceeds the amount necessary to pay in full the amounts then owing on this Note, the Servicer or the Lender will return the excess to the Borrower(s). Where there are several sources of financial aid received by the student on whose behalf this loan is made for the costs of tuition, fees and other expenses of the student's attending the educational institution for any given term, the portion of the refund to be paid to the Servicer or the Lender shall be calculated by multiplying the total refund from the school by a fraction, the numerator of which is the amount of the Principal Sum received for that term and the denominator of which is the total of the financial aid (including the Principal Sum) received by the student for that term. A failure to complete the educational program undertaken by the student does not relieve the Borrower(s) or Cosigner(s) of any obligation contained within or pursuant to this Promissory Note.

10. Prepayment

The Borrower(s) and the Cosigner(s) may prepay this Note in whole or in part, without premium or penalty. If prepayments received were not designated as prepayments by the persons prepaying, the effect shall be to reduce the total principal amount outstanding on this Note. If prepayments received were designated as prepayments by the persons prepaying, the effect shall be first to defer up to four regular monthly payments and then to reduce the total principal amount outstanding on this Note.

A prepayment will be considered a full prepayment only if all outstanding amounts owing on this Note, including late charges, costs and expenses of collection accrued interest to the date of prepayment and outstanding principal, have been paid in full. Upon prepayment, the Borrower(s) and Cosigner(s) will not receive a refund of any portion of the Loan Origination Fees.

11. Late Charge

If this Promissory Note is not paid in accordance with its terms, the Holder hereof, if permitted by law, may, at its option, charge and the Borrower(s) and/or the Cosigner(s) will pay a late charge for each payment delinquent for a period of more than 15 days of (a) 5% of each payment delinquent; (b) $5.00 with respect to each payment delinquent; or (c) the greater of the amounts described in (a) or (b).

12. Default and Acceleration

The entire outstanding balance and any interest accrued hereon and on any other loan the Borrower(s) and Cosigner(s) have made through the Lender's student loan program under which this loan is made shall become immediately due and payable at the option of the Lender without notice or demand, together with all costs of collection and reasonable attorneys' fees, if Borrower(s) and Cosigner(s) shall be in default.

Borrower(s) and Cosigner(s) shall be in default if any one of the following events occur:

a. A scheduled payment is not made within 30 days of the scheduled payment date on this loan or any related loan to the Borrower(s) under this loan program.

b. (1) The Borrower dies, the Borrower is adjudicated incompetent, voluntary or involuntary bankruptcy proceedings are commenced by or against the Borrower, or the Borrower makes an assignment for the benefit of creditors, or (2) any one of these events occur, but in respect of one or both Cosigner(s).

c. Any statement or representation on the Borrower's application for the loan evidenced by this Note is materially untrue, misstated, or incomplete.

d. Any Borrower or any Cosigner fails to perform any agreement contained in this Note.

e. The Borrower fails to promptly notify the Servicer, or such other person as the Lender directs, in writing of (1) any change of their name or address, and (2) Borrower(s) (or Student's as the case may be) transfer, withdrawal or graduation from school or the program in which the Borrower or the Student is enrolled. Any Cosigner fails to promptly notify in writing, the Servicer, or such person as the Lender directs, of any changes of their name or address. Notice is deemed received if received within 30 days of the above mentioned change.

Failure to receive a periodic statement does not relieve the Borrower(s) or the Cosigner(s) of responsibility for the performance of the required loan payments in accordance with the terms and conditions of this Promissory Note.

Acceptance of any payment, in whole or in part, of amounts in arrears shall not waive or affect any prior acceleration of this Note. The Borrower(s) and the Cosigner(s) hereby waive and severally agree notice of dishonour, notice of protest, presentment, demand for payment, and all other notices or demands in the event of default on this loan and agree to consent to any and all extensions, renewals, or releases of any party liable upon this loan or any other loans the Borrower(s) has outstanding through the Lender's loan program under which this loan is made, or waiver and modification that may be granted by the Lender, all without releasing or relieving the Borrower(s) or the Cosigner(s) upon such loans.

The Borrower(s) and the Cosigner(s) agree to pay the Lender immediately upon request of all its costs and expenses, including reasonable attorneys' fees and court costs, in enforcing this Note, to the extent not prohibited by applicable law.

13. Representations

The Borrower(s) and the Cosigner(s) represent that the Borrower (or the student on whose behalf the loan is made, as the case may be) is, or is about to become, a student at the school and that the proceeds of this Note will be used solely for tuition and other reasonable education and living expenses including, but not limited to, room and board, fees, books, computers, supplies and equipment, laboratory expenses, transportation and commuting costs, and personal expenses.

If the Borrower(s) and the Cosigner(s) seek deferment of repayment of principal, the Borrower(s) and the Cosigner(s) further represent that the School is a post secondary educational institution.

14. Credit Bureau Notification

Information concerning the amount of this loan and its repayment will be reported to one or more credit bureaus.

If the Borrower(s) and/or Cosigner(s) default on this loan the Lender or holder will also report the default to the credit bureau(s).

This may significantly and adversely affect the Borrower(s) and/or Cosigner(s) ability to obtain other credit.

15. General Representations

The proceeds of this note will be used solely for tuition and other reasonable education and living expenses including, but not limited to room and board, fees, books, computers, supplies and equipment, laboratory expenses, transportation and commuting costs, and personal expenses.

The Borrower(s) shall promptly notify the Servicer or such other person as the Lender directs in writing of any change of name or address and of the Borrower(s) (or the student's, as the case may be) transfer, withdrawal or graduation from school or the program in which the Borrower or student is enrolled. Each Cosigner shall promptly notify in writing, the Servicer, or such other person or entity as the Lender directs, of any change in name or address.

If any provision hereof shall be held invalid or unenforceable, such provision shall be severable herefrom and shall be construed omitted herefrom without affecting the validity or enforceability of the remainder of this Note.

No term or provision of this Note may be changed unless consented to in writing by all parties.

The terms and conditions contained herein apply to and bind the successors and assigns of the Lender.

The Borrower(s) hereby authorizes the Lender, without further notice, to obtain the signature of any Cosigner. Borrower and each Cosigner authorize the Lender without further notice to correct any patent errors herein.

Any approval of the Borrower's application for the loan evidenced by this Note shall be made in South Dakota. This Note is being approved, made and delivered in South Dakota and shall be construed in accordance with and governed by the laws of South Dakota.

The Borrower(s) and Cosigner(s) signing this promissory note shall be jointly and severally liable hereunder.

If the name of the Cosigner does not appear herein, all references herein to the Cosigner shall be deemed omitted. If two names appear as Cosigner(s) herein all references to the Cosigner or to the Cosigner(s) shall apply jointly and severally to each person whose name appears as Cosigner(s) herein. If two names appear as the Borrower(s) herein, references to the Borrower or to the Borrower(s) shall apply jointly and severally to each person whose name appears as a Borrower herein.

The Lender reserves the right to assign its rights and duties under this Promissory Note without the consent of the Borrower(s) or the Cosigner(s).

The Borrower(s) and the Cosigner(s) cannot assign their rights under this Note. The Lender may assign its rights under this Note. When the Lender notifies the Borrower(s) or the Cosigner(s) of any assignment, each Borrower and each Cosigner agree to make payments on this Note to the person or entity designated by the Lender.

16. Notice to the Borrower(s)

Do not sign this Note before reading it. Please retain the Borrower copy of this Note for your records.

If you have any questions or do not wish to obtain this loan: (1) do not cash the loan disbursement check and (2) contact the Lender at the address noted.

If the Borrower(s) elect(s) to cancel this loan without endorsing the loan check, no interest shall be charged.

17. Notice to the Cosigner(s)

Do not sign this Note before reading it. Please retain this Cosigner Copy of this Note for your records.

Each Cosigner is a guarantor of the debt evidenced by this Note. If the Borrower(s) does not pay this debt, each cosigner, individually, is obligated to do so. The amount that each Cosigner is obligated to pay includes late charges, the lender's fees and expense of collection, accrued interest and outstanding principal as well as any other charges that may be due and owing under this Note.

The Lender may collect the debt from each Cosigner without first attempting to collect from the Borrower(s). The Lender may use any legal method of collecting the debt, such as filing a lawsuit or seeking garnishment of wages. If this Note is defaulted upon, that fact may become a part of each Cosigner's credit record as well as a part of each Borrower's credit record.

REPRINTED FROM THE

Washington BUSINESS JOURNAL™

Herndon group fills student loan gap

TERRENCE O'HARA

University Support Services is doing what some members of the financial community claim is impossible: Providing long-term, affordable student loans from the private sector without government backing.

In four years, this Herndon nonprofit has gone from a one-man show without a nickel of equity and has grown to a 50-employee operation that will put together $150 million worth of student loan packages this year. University Support is riding on a wave of demand for education financing that can only get bigger.

"I think what we've proven here is that the private sector can ably finance education," said University Support president Catherine Dunlevy. "Less and less are families able to apply for a government-sponsored student loan. It's our job to fill that gap."

Father John Whalen, the former president of Catholic University, is chairman of the nonprofit University Support Services. He came up with the idea for the company four years ago, and built it from scratch by pulling some well placed strings in the financial and business communities. What he's done is let the academic community, both students and universities, tap into the commercial paper markets.

Whalen saw the need for non-government financing for higher education. Although there are more than 11 million families in the U.S. with children in a college or university, only 3.3 million qualify for government-backed loans. With education costs skyrocketing (currently averaging $7,000 a year at state schools and twice that at private schools), many families are under an extreme financial burden.

Dunlevy said most colleges don't have the resources to put together programs large enough to make it profitable for financial institutions to make long-term student loans. The returns aren't large enough for banks to do it on their own, either.

Whalen began by going to Fuji Bank, which, after some cajoling, agreed to give him a line of credit. He founded the Capital Access Trust Program to issue the more than $75 million in notes needed to enter the commercial paper market. The Capital Access program, which has made more than $86 million in loans to universities, was the vehicle through which University Support raised loan money for students.

The first student loan program was started through the U.S. Chamber of Commerce. Dubbed Consern, it is offered through participating chamber members. Two-and-a-half years into the program, about 15,000 companies participate with more than 5 million employees. Wachovia Financial services the loans.

Dunlevy said companies can offer it as a part of their benefit packages. University Support provides and processes all the application materials, charging a fee to the company. The cost to the companies themselves is minimal, working out to less than a dollar per employee in most cases.

The rate on the loans works out to about 3.6 percent above the prevailing commercial paper rate. Students usually have their parents cosign on the loan. Unlike government-backed loans, students start to pay interest immediately, but can defer payment of the principal until after they graduate.

Dunlevy said that University Support is not the only private sector provider of low-cost student loans — any number of companies offer loans to their employees. To her knowledge, however, University is the biggest.

"We want to cover the whole universe of higher education finance needs," she said. "We are a nonprofit, but we're still a business. With what we plan to do, we'll probably have to move to a bigger building in three years."

Dunlevy said University Support is putting together programs to offer student loans through university financial aid offices and offer annuity programs to parents, is establishing a fund to offset costs for professors who change colleges, and is setting up a co-op service for small- and medium-sized colleges and universities to give them more purchasing power.

"The way we look at it, it's really one of the best investments we can make," Dunlevy said. "Who can argue that we need to help pay for higher education?"

Terrence O'Hara is a reporter for the Washington Business Journal.

Nation's Business April 1990

Lending For Learning

The ConSern program offers a helping hand for middle-income families, who often don't qualify for federal education assistance.

By Joan C. Szabo

At a time when the nation's businesses are stressing the importance of a better-educated work force, federal aid to college students is expected to face further budgetary reductions in the 101st Congress.

To address the growing need for college financial assistance, many business people are launching innovative ways to help educate tomorrow's workforce. One highly successful initiative is the private-sector loan program called ConSern. Providing students and their families with low-interest loans that can be paid back over a 15-year period, the program is especially beneficial for middle-income families, who often fail to qualify for many of the federal assistance programs.

"Growth in the 3-year-old program has been phenomenal," says the Rev. John P. Whalen, ConSern's founder and president. To date, nearly 11,000 firms are enrolled, and more than 5 million families are eligible to apply for ConSern loans. The program has disbursed over $100 million in loans so far.

Whalen expects disbursements to reach $200 million this year. "We have just scratched the surface," he says. "The cost of college keeps rising, and people are having to look more toward loans to get their kids through college."

Due to its unprecedented growth, the program now is one of the country's top private lenders for supplemental student loans, and it ranks among the top 30 U.S. lenders for student loans of any kind, says Whalen.

ConSern has been designed by leaders in higher education and business. It is backed by major financial institutions, and it is administered by a nonprofit organization.

To offer this loan benefit to employees, companies must maintain membership in the U.S. Chamber of Commerce. Once membership is established, employers can participate in the loan program for as little as $25 a year, based on the number of employees. The participation fee is tax-deductible as a business expense.

The program is especially easy for employers to offer as a benefit. When a company signs on as a participant in the program, a corporate accounts manager from ConSern provides the employer with informational brochures and application packets to distribute to employees. In addition, ConSern supplies a complete communications package to help companies explain the program to employees.

ConSern takes care of loan processing and employee inquiries. Companies offering the program assume absolutely no liability when the loans are made available to employees.

The loans may be used by an employee and his or her family for private secondary schools and for both undergraduate and graduate programs in accredited colleges and universities. The loans are available for many education-related expenses, including tuition, room, board, books, and computers.

Employers who participate in the program say it is extremely worthwhile. "It is an inexpensive way to provide an important benefit to our employees," says Bruce Mindlin, controller of Arroyal Co. Inc., an industrial-parts distributor in Maplewood, N.J. Mindlin says about five of Arroyal's 30 employees currently use the program.

One of ConSern's most attractive features is the size of the loan offered. An employee can borrow up to $25,000 each year and up to $100,000 altogether. The average size of a loan now issued is $6,200 per year.

In addition, it is possible to take up to 15 years to repay the loan. The principal

ConSern is an inexpensive but "important benefit to our employees," says Arroyal Co. Controller Bruce Mindlin, left, reviewing a loan application with Larry Strowser.

What A ConSern Loan Costs

Annual Interest Rate	Monthly Payment* For 15 Years Per $1,000 Borrowed
10.0%	$13.81
10.5	14.22
11.0	14.63
11.5	15.04
12.0	15.45
12.5	15.86

*Both principal and interest

The ConServ loan *that her father obtained for her helps pay Sarah Strowen's expenses at the New Jersey Institute of Technology in Newark.*

may be deferred while the student is in school, up to a maximum of four years' deferral. Interest payments still must be made. They start approximately 30 days after the loan is disbursed. A ConSern loan may be repaid at any time with no prepayment penalty.

Commercial lenders, on the other hand, typically will lend no more than $5,000 for an unsecured loan and require repayment—both principal and interest—over three to five years. There generally is no deferral of principal repayment with a commercial lender. Interest rates typically are 4 to 8 percent higher than the interest rate on ConSern loans.

To apply for a loan, the student must be accepted or enrolled in courses leading to a degree or a diploma. In addition, the student or the cosigner must meet ConSern's credit criteria, which consist of an evaluation of credit reports and information on income and debt. The borrower pays a one-time discount fee of 3.5 percent to cover insurance on defaults.

The default rate on the program is extremely low—"less than 1 percent," says Father Whalen. He attributes this to the fact that the loans are made on the basis of credit requirements. Unlike the federal education loan program, ConSern loans are not made on a family income test.

Interest rates for ConServ loans are competitive. They are tied to the commercial paper rate, and they fluctuate accordingly. During 1989, the rate for ConServ loans averaged 11.91 percent.

If an employee terminates a ConServ loan and later leaves the company, the loan remains in effect even though the borrower no longer may be connected with a participating company.

During 1990, ConSern plans to provide several enhancements to the existing loan program. It will offer a home-equity loan feature, which could allow tax deductibility of interest charges.

Also planned is loan consolidation. With this option, virtually all loans obtained by a student for attending accredited, noninproprietary schools could be combined into a single loan with one monthly payment. A student who still is in school and needs an additional loan for the next semester can, right with the amount in the consolidation loan.

Loan applications are accepted at any time during the year. The borrower pays a nonrefundable $45 processing fee when applying for the loan. For more information, call 1-800-869-LOAN, or write ConServ, 205 Van Buren St., Suite 200, Herndon, Va. 22070 ■

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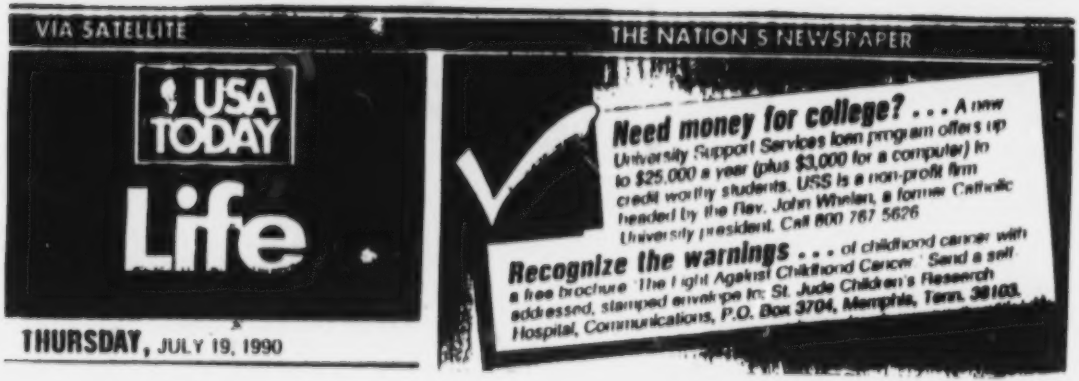
VIA SATELLITE
THE NATION'S NEWSPAPER
USA TODAY
Life
THURSDAY, JULY 19, 1990
Need money for college? . . . A new University Support Services loan program offers up to $25,000 a year (plus $3,000 for a computer) to credit worthy students. USS is a non-profit firm headed by the Rev. John Whelan, a former Catholic University president. Call 800 767 5626
Recognize the warnings . . . of childhood cancer with a free brochure "The Fight Against Childhood Cancer." Send a self-addressed, stamped envelope to: St. Jude Children's Research Hospital, Communications, P.O. Box 3704, Memphis, Tenn. 38103.

Businesses help with college costs

YOUR MONEY'S WORTH
Sylvia Porter

Business leaders are in high anxiety about the quality of education in the United States and the difficulty in finding both managers and workers with the skills to handle complex tasks. Their worries increase as they face stiffer world competition.

The response of many executives is to become more directly involved in the education process. What's more, they are spending money at both the secondary and college levels to bring about change.

This is happening at the time the federal government, the chief source of student financial aid, is tightening up on its largess. Levels of funding for post-secondary education may be cut by Congress and qualifying regulations already have been stiffened.

Whatever changes are made this year or next in government funding of student aid, it is unlikely that any worthy and ambitious student will be denied funding. That's because private-sector aid programs are growing.

One innovative private-sector initiative is the ConSern program of the U.S. Chamber of Commerce. Designed to provide low-interest loans with long-term repayment plans, it addresses the need of the vast majority of American families who do not qualify for federal loans or grants.

"Obtaining quality education at affordable cost is as much a business concern as a family concern," says R. Bruce Josten with the U.S. Chamber of Commerce.

This month, ConSern begins its third year as a national program. More than 10,600 companies participate, including approximately 100 major corporations such as AT&T, Warner-Lambert, Chrysler Corp., Reader's Digest, Johnson & Johnson, Aetna Insurance and Xerox.

Companies that offer ConSern loans to their employees incur no administrative burdens. They simply distribute ConSern literature to employees, then step out of the picture.

Applications are made directly to ConSern. Loan requests are not limited to covering tuition and may cover other college expenses, such as room and board, transportation and lab fees.

Loan amount eligibility is determined by a credit check on the applicant or cosigner by ConSern. These loans do not require a family means test.

Loan terms are highly attractive compared to other unsecured notes. Loan amounts range from $1,500 to $25,000 per year with a maximum of $100,000 per applicant over a four-year period. The interest rate is variable.

The pay-back period is 15 years, payable in part or in full at any time without penalty. While a student is in school, payment of the principal may be deferred, but interest payments must be made.

Loan applications can be made any time during the year. Student borrowers who make the required payments on time have the added benefit of establishing a credit history.

For details about the program, call (800) SOS-LOAN.

Columnist Sylvia Porter reports on personal finance every Tuesday and Thursday on the business pages.

Dallas Times Herald

PERSONAL FINANCE

Large, small companies can offer college-loan program as benefit

NEW YORK — Here's an idea for finding college money that every company, large and small, ought to consider: Give your employees access to the college-loan program called ConSern. It's a smart, low-cost employee benefit that helps families pay for their children's education.

JANE BRYANT QUINN

ConSern got its start in the Washington, D.C., area three years ago, when I made a deal with the chamber of commerce last February. To offer the loans, a company has to join the chamber and pay ConSern a cover charge. That charge runs from $25 a year for firms with 10 or fewer employees, up to $15,000 for firms with payrolls of 45,000 and up.

As far as actual work is concerned, the company doesn't lift a finger — no literature to print, no mailing of applications, no loan processing, no responsibility for defaults. ConSern does everything. About 1,240 firms have joined already and new members are coming in.

Companies are using the loan as a recruiting tool to attract and keep good employees. At the Greater Southeast Community Hospital in Washington, D.C., employees can get a ConSern loan for their schooling, then pay it off with the hospital's tuition-reimbursement program.

Sponsors other than the chamber of commerce can cut their own, separate deals with ConSern. Prince Georges County in Maryland, for example, makes the loan available to every student in the county.

Here's how ConSern works as an employee-benefit plan:

For $45, an employee can apply for a loan for his dependents or himself. The loan is unsecured, so no one has to put up collateral. But it is granted only to credit-worthy borrowers (or someone who can get a credit-worthy cosigner).

The loan can cover all education costs — not only tuition, room and board, but books, fees, computers, even transportation to and from the school. You're allowed to borrow anywhere from $1,500 to $25,000 a year, with a maximum cumulative loan of $100,000. When you get the loan, you pay 3.5 percent of the proceeds as an up-front fee. A $5,000 loan would cost $175, leaving you $4,825 to spend on tuition.

Students have to attend school at least part time, at an accredited, degree-granting institution. Private elementary and secondary schools qualify. So do vocational schools, but not for-profit proprietary schools.

As long as you're in college, you can pay only the interest on the loan. After that, you repay over as much as 15 years. ConSern's founder, the Rev. John Whelan, offers this tip for getting the most from the program: "Borrow your annual tuition in years one, two and three. In year four, borrow enough to repay the first three loans." That starts the 15-year clock ticking in year four — effectively giving you an 18-year loan.

Parents of students at secondary and other schools have to start repaying loans almost right away; they can't defer it until graduation.

The loan's variable interest rate changes every month, in line with ConSern's cost of raising funds. Right now, students are paying 11.83 percent — for a monthly payment of $58.46 on a $5,000, 15-year loan. Back in February, they were paying 11.33 percent, or $57.93 a month.

There is no cap on the interest rate, so you're not protected against a rapid inflation. Next spring, ConSern expects to offer a fixed-payment loan whose term can be longer or shorter, depending on how interest rates change.

Even if your company doesn't offer the program, you can borrow from ConSern loans for half a point higher than the rate charged through the chamber of commerce. Loan limits are lower, and repayment is over just 12 years. For information, write to ConSern at 1778 Massachusetts Ave. N.W., Suite 100, Washington, D.C. 20036.

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42-424 141

FIRST MAGAZINE 2/7/90

MONEY MATTERS

Financing kids' college

High tuition doesn't have to keep them out of school

Whisper the words "college tuition" and most parents tremble. The price of higher education is skyrocketing. In 1989-90, the average state university charges $6,172, a private institution, approximately $13,899. By 2006, a state school will set you back $16,619 and a private one, $36,808. What's a parent to do?

Clever savings plans.

Zero-coupon bonds yield solid returns without risk.

If your child is eight years old, a zero-coupon bond purchased now for less than $400 would be worth $1,000 by her freshman year. Buy these corporate, federal and municipal bonds from a broker.

U.S. Savings Bonds (Series EE) provide tax-free earnings when used to pay college tuition. They're available from banks in various denominations and mature to full value in 12 years—hold them for up to 30 for maximum earnings.

Treasury bonds also come in two risk-free alternatives. Notes reach maturity in one to 10 years. Bonds, which pay a higher return on the dollar, take 10 to 30 years to mature. Taxable interest on both varies between 7¼ and 8¼ percent. They may be purchased at a bank or a brokerage house.

Fast cash.

If your child is a high-school senior and you have no money set aside, there are still ways to finance schooling. Almost half of all college students arrange for public or private assistance.

Government and private grant applications are available through high-school and university admissions offices. Many government loans are handled directly by banks. Financial plans to consider:

Pell Grants. Administered at state level, these grants range from $150 to $2,300.

Supplemental Educational Opportunity Grants (SEOG). Minorities and students with serious financial need can apply for $200 to $2,000 grants.

Stafford Loans. Banks administer loans up to $2,625 a year for freshmen and soph- and can go as high as for upperclassmen. Re- at eight percent ber- months after graduatio- Perkins Loans or ' Direct Student Loans- ble students can $4,500 every two ye- payment (at five perce- can) begins nine mon- leaving school.

Supplemental Loans (SLS). Banks- loans of up to $ year. The interest c- based on a short-term Bill rate plus 3.25 pe- points, with a 12 perc- Repayment begins 60 or deferment.

Parents' Loans for graduate Students Almost identical to S- loans are made to pare- Creditors Loans. This- loan program is run U.S. Chamber of Co- and administered by 10,000 employers nati- For information, call 787-5428. Borrow- $25,000 a year and-

A Loan Program For College Costs

ConSern, a private-se education-loan progr is filling an importar need not met by most government program

Graduation day: A possibility for thousands of college students, thanks to funds made available through ConSern.

As the doors of the nation's colleges and universities swing open this fall, the parents of many students are finding the task of financing a youngster's college education more difficult than ever.

College expenses continue to rise faster than the cost of living. Charges at public and private colleges this year are expected to increase an average of about 6 percent over last year, says the American Council on Education.

At the same time, business is emphasizing the importance of a better-educated work force. In fact, many businesses are eagerly looking for ways to help finance the costs of higher education for workers and their families.

One successful initiative is the private-sector loan program called ConSern. Within the past year it has begun filling an important need that is not being met by most government financial-aid programs, which often are available only to families with very limited financial resources.

Started several years ago in Washington as a local project, ConSern now is available nationwide. Under a recent effort by the U.S. Chamber of Commerce to extend the program to the business community, any company can participate in the program through membership in the U.S. Chamber.

The growth of the program has been extensive under the partnership with the U.S. Chamber," says ConSern's founder and president, the Rev. John P. Whalen. There were fewer than 500 loans totaling less than $4 million in 1987, but ConSern expects to issue 15,000 loans worth $100 million this year. Loans could reach $150 million next year and $200 million in 1990.

By fall, through their companies' participation in ConSern, nearly one million employees and their families will be eligible to apply for loans, says Morna Conway, ConSern's senior vice president for marketing.

The program is fast becoming an important employee benefit and a very affordable one," Whalen says. With ConSern, an employer can participate for as little as $25 a year, based on the number of employees.

Designed by a consortium of universities, backed by major financial institutions and administered by a nonprofit organization, ConSern makes loans available for a wide range of education-related expenses, including tuition, room, board, books and computers.

There is no family-income test. And ConSern's loan limits are higher than those for other education-loan programs. Under ConSern, a borrower can receive up to $25,000 each year, and up to $100,000 altogether. The borrower can take up to 15 years to repay.

The interest rate on ConSern loans is tied to the commercial paper rate, which is variable and historically far lower than the prime rate. The average ConSern loan interest rate during 1987 was 10.48 percent. The borrower pays a one-time discount fee of 3.5 per cover insurance on defaults.

Employer participation involv tributing information to employe maintaining membership in th Chamber. An employer is not re to handle applications, process guarantee loans, assume liabilit any administration.

The employee must pay $45 t for a loan. The student must be ed or enrolled at least half courses leading to a degree or ma. must maintain satisfactor demic progress and have good c have a cosigner with good credit.

If an employee receives a C oan and later leaves the compa loan remains in effect even thou borrower no longer may be con with a participating company.

Interest payments begin 30 da ter the loan check has been dist The borrower may defer repayn the principal for up to four years the student is in school. A Conse may be repaid at any time with payment penalty.

In 1989, ConSern expects to o nancements to the existing pr gram. These include a fixed-r option, a life-insurance option tion-loan consolidation and a new cy option that would permit tax ibility of interest charges. ■

For more information, call 7198, or write to U.S. Chamber Serv: Loans For Education, 17 nsylvania Avenue, N.W., Suit Washington, D.C. 20062.

700 Companies Sign Up in February

Student-Loan Participation Skyrockets

ConSern ... is not too good to be true — just too good to believe.

— The Rev. John P. Whalen

Most Loans G... To Help Childr...

Bill Would Extend Tax Exemption For Education Aid

Firms See ConSern's Benefits

NQUIRY

ic: PAYING FOR COLLEGE

P. Whalen, 61, a
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terviewed by USA
's Pat Ordovensky.

John P. Whalen

ddle-class students
d financial help, too

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DAY: But govern-
rams offer help.

WHALEN. The federal government puts in a lot of money every year, but basically it touches the lives of only about 5½ million of the 12½ million students in college. And by the time you get to have an income in the range of $30,000 or above, your eligibility for the federal programs begins to decrease. But it's middle-class America that — even though they make more money than the needy — really need some access for funding. And that was not available.

USA TODAY: Can't they get loans from banks?

WHALEN. Banks will lend to their best customers on an unsecured promissory note for a period of three years. For some of the more adventure-some banks, five years. They'll lend up to about $6,000 a year with an immediate pay back necessary. The interest rate average across the country is about 16.5% to 17% on these promissory note loans. That rate is too high. Those terms are too short for people to borrow for higher education.

USA TODAY: How does your program work?

WHALEN. The interest rates are as low as we can get them. We're a non-profit corporation and therefore don't have to meet the financial projections that a for-profit corporation would.

USA TODAY: How much demand is there for loans?

WHALEN. Our average loan size is about $6,500. We started about a year ago. And we've now made about $70 million worth of loans. And we're getting requests for applications at the rate of 500 a day. The need is absolutely enormous. There's a need every year for about $56 billion. And this is in that middle-class group.

USA TODAY: $56 billion?

WHALEN. Tuition, fees, room, travel, books, etc. The average budget of the average person going to school across the country is about $8,000 a year. We've got 7 million of them. So it's a huge need.

USA TODAY: Can't colleges do more? Harvard and Georgetown provide discounts off their regular tuition. Can't any school structure its budget so that could happen?

WHALEN. Not without a major increase in tuition.

USA TODAY: What do you think of efforts such as those in Boston, where a business guarantees a student graduating from Boston public schools it will find enough money to send that student to any college that accepts him?

WHALEN. It's a wonderful thing to do. It's just that it's never going to touch 12½ million people. Congress really has to do something about middle-class America.

USA TODAY: Are you saying government should subsidize everyone's education?

WHALEN. I think people who can pay their own way ought to pay their own way. That's my philosophy. But when you know you need an educated work force, and you know most of that educated work force is going to come from middle America, and you don't do anything to get them educated, there's something wrong with that.

USA TODAY: But what should the Congress do?

WHALEN. They don't have to do much. They could reduce the rates dramatically if they would permit corporations like this one to use tax-exempt financing instead of taxable financing. That and making student loan interest deductible could drive interest rates on this thing down at least 3 percentage points.

USA TODAY: How does someone apply for a loan from you?

WHALEN. There are two ways that we do that. One of them is through a contract that we have with the U.S. Chamber of Commerce. Any corporation that's a member of the Chamber can participate in our program. Any of their employees apply through the company for our loans. Now we have more than 8,000 companies signed up for the program all across the country. It's basically a way of letting their employees have access to a loan program without any hassle on the part of the company. You can borrow up to $25,000 a year or up to a $100,000 total over a four-year period. The interest rate on it is whatever commercial paper is, plus 3.6%, for a 15-year loan.

USA TODAY: What about people with no connection to Chamber companies?

WHALEN. We've had a lot of requests for applications for people who don't belong to U.S. Chamber companies. That costs us more to do and so that program is basically a 12-year, pay-back program. They can borrow up to $15,000 a year for a total of $60,000. And the interest rate on it is commercial paper plus 4.1%.

USA TODAY: Do you try to determine need?

WHALEN. No, we don't look at need at all.

...ers 5, 1999 • The Chronicle of Higher Education • A3

PORTRAIT

A Priest Who Delights in Wheeling and Dealing Tackles Financial Needs of Students and Colleges

The Rev. John P. Whelan: "I know, I think, what's needed in higher-education finance. The question is, how do you structure it so that it becomes possible for the average person or the average institution?"

By JEAN EVANGELAUF

U.S. Services Unveils Capital Financing Tool for Higher Ed

Capital Access Trust, a loan program designed to help colleges and universities finance needed renovations and new construction, has been established by University Support Services (U.S. Services), the nonprofit corporation that last year created ConSerm to offer education loans to middle-income students.

> **"(The Trust) is more cost-effective than any source of borrowing we know, except tax-exempt financing, and is always more convenient and flexible."**

"In the next five years, more than 75 percent of the nation's colleges and universities will be seeking capital for new buildings and restorations, said U.S. Services President Father John P. Whalen at a Washington, D.C. press conference to announce the program.

With new caps on tax-exempt borrowing, some institutions may find capital scarce when they want to begin these projects. Whalen said. To fill in that void, the Trust will provide loans ranging from relatively small amounts to "upwards of $100 million," he said, with low rates and flexible terms.

Because financing is often obtained through commercial loans, bonds, notes, leases, government appropriations, and other such sources, the usual loan process can be lengthy and consume many administrative hours. Whalen said. Because it is a trust loan program, however, the Trust will make loans based on a single loan document and should be able to make a commitment in 45 days, he said.

Qualified institutions need only show that they have good credit, Whalen said.

"The Trust is more cost-effective than any source of borrowing we know except tax-exempt financing, and is always more convenient and flexible," he said.

The Trust is funded by the sale of U.S. Services Commercial Paper Notes, which are backed by a letter of credit from the Fuji Bank, a AAA-rated money market bank, and are underwritten by Shearson Lehman Hutton, Inc.

Of Shearson Lehman's involvement in the Trust, Whalen said, "It's a very unusual way for them to do good and well at the same time ... but they're doing more good than well."

Whalen said he believes that the Trust is the first non-profit organization to enter the $300 billion commercial paper market, and is certain it is the first to enter the market for purely philanthropic reasons. Because the Trust entered the market at the lowest market rate, interest rates on the loans it provides are, on the average, "significantly lower than the prime rate," according to Whalen.

A college with good credit borrowing $50 million for three years could save as much as $250,000 to $350,000 by going through the Trust instead of borrowing at the prime rate, Whalen said.

For more information, contact Joseph Petit or Morna Conway at Capital Access Trust, 1717 Massachusetts Ave., N.W., Washington, D.C. 20036, telephone 202-234-1432.

More nightly Arledge deserves credit for pulling off his deal, which required a two-week road show with Coastal's investment bankers, Shearson Lehman Hutton and Drexel Burnham, as well as a 46-dealer syndicate

in the U.S. and 24 abroad. With this unprecedented chance to issue equity without dilution, Coastal is well on the way toward its goal of restoring debt to a still-lofty 65 percent of capital versus 78 percent at the end of 1987.

At the same time, says Arledge, the offering is a clear signal that companies paying low dividends can issue stock in these various times. Coastal's dividend yield is only about 1 percent—so-

sibly a much more r story than telling sor you're going to give cash," as Arledge say the issue was sold ou to institutions and hail tail buyers.

—S.L.

COMMERCIAL PAPER 101

University Support Services helps colleges and universities tap the best short-term rates around.

There isn't a study you can pick up that doesn't show enormous need for capital throughout the academic world," says Father John Whalen, president of University Support Services, a nonprofit organization in Washington, D.C., doing something about that. Through a new program called Capital Access Trust, the nonprofit group is helping private institutions—colleges, universities, and museums—finance their capital

Father John Whalen

million to reduce a line of construction-related bank credit. Georgetown Treasurer George Houston thinks the idea is terrific, even though the university has other avenues for borrowing. Houston figures that the 7.3 percent interest rate is at least 70 basis points less than Georgetown would ha to pay a commercial He also says the comm paper program is a way to manage mo without tipping Georgetown's enormo

Whalen, a former dent of Catholic Un of America, set up U spring to finance inst and students. Whale there is an imminen for $50 billion for co struction and deferre renance at U.S. colle universities. At the time, lower tax rate make tax-exempt bo less attractive. $150 million can sa borrowing as priva versities survey outlay for issue investments at highe of interest. Thus, V expects to see mor $300 million in Capi cess loans within the

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PRIMARK DOES AN LBO WITHOUT THE L OR THE B

Bob Stewart's diversification didn't work. Now he's come up with a novel way out of it.

What do you do with failed diversifications? Well, you can bundle them up into an LBO. Or you can do an LBO without the "L" or the "B." That's Primark Chairman and CEO Robert Stewart.

Stewart has been diversifying ever since he took over in 1981 at Michigan Consolidated Gas. He built a holding company called Primark around the big natural gas utility, then moved it into leasing, insurance, telecommunications, and aviation services. But it was diversification in little more than name only. In the com 1986-87 fiscal year, C dated Gas still accoun 90 percent of the $1.4 in revenues and 93 p of profits.

Lessons on College Aid

11th-hour options on how to pay tuition bills

By Bob Weinstein

SUMMER IS NOT THE best time of year for parents of college bound offspring. Most colleges require that half of the tuition for the school year be paid between Aug. 15 and 31. While many parents have socked away money for their children's college tuition, a significant number are not so fortunate.

What do you do if you're in the latter category? Even in the 11th hour, there are options. Start by contacting a representative of the college's financial aid office to ask for a deferment, is the advice from the National Association of Student Financial Aid Administrators in Washington.

"It's not difficult to get an extension," says Ellen Miller, director of financial aid at Hartwick College in Oneonta. "Many parents are embarrassed about scrambling around for money at the last minute, but it's a pretty common occurrence."

Start by filling out the financial aid forms and sending them to the College Scholarship Service in Princeton, N.J., to determine whether you're eligible for financial assistance, advises Keith Jepson, New York University's director of financial aid. "It takes about six weeks to process the paperwork," he says, "so it's crucial to get that out of the way immediately." Jepson says that financial aid grants already have been awarded for the first semester, but there is still time to arrange assistance for the second semester, such as:

• **Government loans.** The New York Higher Education Assistance Authority in Albany offers the Stafford Loan Program, formerly the Guaranteed Student Loan program; Supplemental Loans for students; and the Parents' Loans for Students, also called PLUS determine eligibility based on need, which takes into consideration school costs and family income.

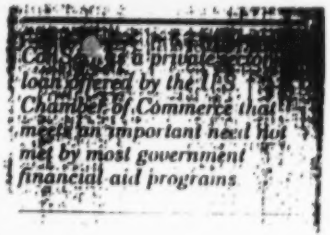
Under the Stafford Loan, you can borrow up to $2,625 a year during a student's freshman and sophomore years and $4,000 for the remaining two years. For graduate students, the ceiling is $7,500 a year. The interest rate is 8 percent; payments begin six months after completion of school.

For the Supplemental and PLUS programs, undergraduate and graduate students can borrow up to $4,000 a year. The interest rate is based on a short-term Treasury bill rate plus 3.25 percentage points, with a cap of 12 percent. Payment begins 60 days after disbursement.

The Supplemental and PLUS loans are almost identical, except that the former goes to students, the latter to parents. You can apply for more than one loan at the same time, says Sylvia Welch, a spokeswoman for the state's higher education assistance agency. The best part about all of the above programs is their quick turnaround. "You can get approval in a few days and you'll get the check in about two weeks," Welch said.

• **Tuition plans.** Most colleges offer their own tuition plans. NYU, for example, offers two plans provided by the Philadelphia National Bank. The first, a guaranteed tuition plan, lends students up to four years' tuition at the current tuition level; the second is a revolving line of credit. The former is either a secured or unsecured loan. The interest rate on the secured loan is 11.5 percent; unsecured, 13 percent. Both are 10 year loans, with payments beginning immediately.

Both loans are available for either one semester or an entire college education. "The advantage is that the interest rate is 0.5 to 1 percentage point less than


Con Sern's private-sector
loan offered by the U.S.
Chamber of Commerce that
meets an important need not
met by most government
financial aid programs

cation fees," explains the bank's marketing representative, Deirdre Morrell.

• **Private sector loans.** Con Sern is a private sector loan offered by the U.S. Chamber of Commerce that meets an important need not met by most government financial aid programs, which are typically available to families who demonstrate financial need. About 8,000 employers around the country offer Con Sern to their employees, it's also available to individuals at a higher interest rate. Through an employer, you can borrow up to $25,000 a year at the commercial paper interest rate plus 3 percent — currently a total of 12.7 percent — and take 15 years to repay the loan. Otherwise, you can get a 12 year loan, borrowing up to $15,000 annually, at the commercial paper interest rate plus 4.1 percent.

A few less desirable avenues of immediate cash are:

• **Equity Loans.** The good news is you can get the money within 10 to 15 days. The bad news is that there are additional application costs, points, plus an interest rate that hovers around the prime rate. On top of that, you're putting a lien on an important asset, your home.

• **MasterCard, Visa** or other credit card. It's fast and convenient, but the big disadvantage is you're paying a burdensome interest rate that ranges between 18.5 percent and 21 percent.

Senator PELL. Ms. Wilson, welcome.

Ms. WILSON. Mr. Chairman, I am Kate Wilson, associate bursar at the Massachusetts Institute of Technology. Prior to working at MIT, I was a financial aid administrator at public universities in California for 15 years. I am currently chair of the legislative committee for the Coalition of Higher Education Assistance Organizations, COHEAO. My comments today reflect the reauthorization perspectives of COHEAO.

As you know, the Perkins Loan program is the current iteration of the National Defense Student Loan program originally authorized in 1958. As such, it is the oldest of the federally-supported student aid programs and, in my view, one of the most successful. Perkins Loans are 90 percent federally funded and carry an interest rate of 5 percent, with no interest accrual during in-school, grace or deferment period. The loans are available in amounts up to $9,000 for a bachelor's degree and up to $18,000 for a graduate or professional degree.

Nationally, approximately 83 percent of undergraduate, dependent Perkins Loan borrowers come from families with incomes of $30,000 or below. Approximately 25 percent of these borrowers come from families with incomes below $18,000.

Currently over 3,000 institutions participate in the Perkins Loan program, awarding over 800,000 loans with an annual dollar value of approximately $800 million.

Institutions manage these loans directly and may involve loan servicers and loan collection agencies in the process.

Institutions of higher education value the Perkins Loan program because it provides unique flexibility in providing financial aid policies and awards which best meet the needs of students. In addition the program provides a low-cost, renewable source of aid since the funds awarded include borrower repayments, institutional contributions, and Federal funds. And since institutions have control over the collection of these loans, default rates are lower.

Mr. Chairman, let me now turn briefly to the Perkins Loan program at MIT. Students are admitted to MIT based on their excellence, with no consideration of their family's ability to contribute toward the expenses of their education. This longstanding tradition of need-blind admissions means that MIT guarantees to meet the financial need of all eligible students through loans, grants and employment.

MIT has a demonstrated commitment to diversity in our student population, and title IV programs—loans, grants and work—support that diversity. Recently, President Charles Vest stated, "A proud part of MIT's tradition has been that it has attracted an unusually large number of students from financially modest backgrounds, often the first of their families to attend a university."

MIT's undergraduate population includes 34 percent women and approximately 13 percent underrepresented minorities. Fifty-seven percent of our undergraduates receive financial aid and this year will borrow more than $9 million, including $3 million in Perkins Loans.

At MIT, the average Perkins Loan for 1990-91 was $1,300, which is equal to the national average. Our Perkins Loan default rate for 1990 was 1.18 percent.

Now I would like to review several of the COHEAO legislative recommendations.

The COHEAO legislative committee developed our recommendations through a year-long process which involved individuals from public and private institutions, loan servicers and collection agencies.

One, expansion of the Perkins Loan program. To provide a greater number of loans to students, we recommend that certain Perkins Loan funds be reallocated to institutions rather than being returned to the U.S. Treasury. These funds include defaulted loans assigned to the Department of Education, funds recaptured from closed schools, and unclaimed cancellation reimbursements.

Second, simplification of deferments. The 11 separate deferment categories for a Perkins Loan are overly complex. We recommend that deferments be simplified and limited to two types—in-school and hardship.

Third, compromise. COHEAO recommends that institutions be permitted to compromise on defaulted Perkins Loans, a practice which is currently permitted under the Guaranteed Student Loan program and by the Department of Education.

Fourth, credit bureau reporting. Perkins Loan regulations require borrowers to be reported to credit bureaus when a loan becomes 120 days past due. To enhance collection efforts, to reduce defaults, and to provide all creditors with a more accurate picture of a borrower's debt level, we recommend that Perkins Loans be reported to credit bureaus at the time the loan is disbursed to the student.

In conclusion, I emphasize that continuation of the Perkins Loan program is essential. The importance of these loans to students at MIT and throughout the country cannot be stated too strongly. The program is a valuable resource in providing educational opportunity.

Mr. Chairman, we thank you for this opportunity to be here today, and we welcome your questions.

Senator PELL. Thank you very much, Ms. Wilson.

[The prepared statement of Ms. Wilson (with attachments) follows:]

PREPARED STATEMENT OF MS. WILSON

Mr. Chairman, I am Kate Wilson, Associate Bursar at the Massachusetts Institute of Technology. Prior to working at MIT, I was a financial aid administrator at public universities in California for 15 years. I am currently Chair of the Legislative Committee for the Coalition of Higher Education Assistance Organizations (COHEAO). My comments today reflect the reauthorization perspectives of COHEAO. I appreciate having the opportunity to testify before you today about the Perkins Loan program.

As you know, the Perkins Loan program is the current iteration of the National Defense Student Loan program originally authorized in 1958. As such, it is the oldest of the federally supported student aid programs and, in my view, one of the most successful. Perkins Loans are 90 percent federally funded and carry an interest rate of 5 percent, with no interest accrual during in-school, grace or deferment periods. The loans are available in amounts up to $9,000 for a bachelor's degree and up to $18,000 for a graduate or professional degree.

Nationally approximately 83 percent of undergraduate, dependent Perkins Loan borrowers come from families with incomes of $30,000 or below. Approximately 25 percent of these borrowers come from families with incomes below $18,000.

The national Perkins Loan default rate, as calculated by the Department of Education, is approximately 8.02 percent.

Currently, over 3,000 institutions participate in the Perkins Loan program, awarding over 800,000 loans, with an annual dollar value of approximately $880 million. Institutions manage these loans directly and may involve loan servicers and loan collection agencies in the process.

Institutions of higher education value the Perkins Loan program because it provides unique flexibility in creating financial aid policies and awards which best meet the needs of students. In addition, the program provides a low-cost, renewable source of aid since the funds awarded include borrower repayments, institutional contributions, and Federal funds. And, since institutions have control over the collection of these loans, default rates are lower.

Mr. Chairman, let me now turn briefly to the Perkins Loan program at MIT. Students are admitted to MIT based on their excellence with no consideration of their family's ability to contribute toward the expenses of their education. This long standing tradition of need-blind admissions means that MIT guarantees to meet the financial need of all eligible students through loans, grants and employment.

MIT has a demonstrated commitment to diversity in our student population, and title IV programs (loan, grant and work) support that diversity. Recently, President Charles Vest stated, "A proud part of MIT's tradition has been that it has attracted an unusually large number of students from financially modest backgrounds, often the first of their families to attend a university."

MIT's undergraduate population includes 34 percent women and approximately 13 percent underrepresented minorities. Fifty-seven percent of our undergraduates receive financial aid, and this year will borrow more than $9 million. This $9 million includes $3 million in Perkins Loans, $5 million in Stafford Loans, and $1 million in MIT's Technology Loan Program. At MIT the average Perkins Loan for 1990–91 was $1,300, which is equal to the national average. Our Perkins Loan Default Rate for 1990 was 1.18 percent.

Now, I would like to review several of the legislative recommendations presented in the COHEAO reauthorization proposal.

The COHEAO Legislative Committee developed our recommendations through a year long process which involved individuals from public and private institutions, loan servicers, and collection agencies. The reauthorization proposals were reviewed during two forums at COHEAO conferences and ultimately approved by the Steering Committee and the membership.

To provide a greater number of loans to students, we recommend that certain Perkins Loan funds be reallocated to institutions rather than being returned to the U.S. Treasury. Those funds include defaulted loans assigned to the Department of Education, funds recaptured from closed schools, and unclaimed cancellation reimbursements.

The policies and procedures for deferring a Perkins Loan are overly complex. The 11 separate deferment categories are confusing to borrowers and difficult to administer. Therefore, we recommend that deferments be simplified and limited to two types: in-school and forbearance.

COHEAO recommends that institutions or delegated collection agencies be permitted to compromise on defaulted Perkins Loans. Compromise, which is settlement for less than the total balance due, is permitted under the Guaranteed Student Loan program and is also a practice permitted the Department of Education. Extending this authority to institutions would enhance Perkins Loan collections.

Perkins Loan regulations require borrowers to be reported to credit bureaus when a loan becomes 120 days past due. To enhance collection efforts, to reduce defaults, and to provide all creditors with a more accurate picture of a borrower's debt level, we recommend that Perkins Loans be reported to credit bureaus at the time the loan is disbursed to the student.

In conclusion, I emphasize that continuation of the Perkins Loan Program is essential. The importance of these loans to students at MIT and throughout the country cannot be stated too strongly. The program is a valuable resource in providing educational opportunity.

Mr. Chairman, we thank you for this opportunity to be here today and welcome your questions.

COHEAO

The Coalition of Higher Education Assistance Organizations (COHEAO) is a unique partnership of education and commercial members with a shared professional interest in fostering access to postsecondary education. COHEAO maintains a proactive focus on legislative and interactive communication for all federally funded student loan programs.

COHEAO began on January 22, 1981 as a non-profit organization in the District of Columbia. The Coalition of Higher Education Assistance Organizations is comprised of over 300 members. They represent the nation's major colleges and universities and leading commercial firms that serve them. The latter includes billing agencies, student loan collectors, auditing services, law firms, and others involved in the operational end of federally supported student financial assistance.

An estimated ten million students are served and represented by institutions working with COHEAO. This constituency of commercial, institutional, and student representation is truly unique in the entire educational community. COHEAO is an organization of members and all activities are overseen by a Steering Committee consisting of a President, a Vice President, a Secretary, a Treasurer, and three Members-at-Large, half of which are elected on alternating years.

The Steering Committee also includes a Membership Chairman, a Legislative Chairman, a Budget and Operations Chairman, and a Commercial Committee Chairman which are appointed by the Steering Committee on an annual basis. This committee works very closely with the membership of COHEAO to provide guidance on regulatory and legislative issues of concerns to the membership.

SUMMARY OF COHEAO REAUTHORIZATION RECOMMENDATIONS

COHEAO supports the expansion of the Perkins Loan Program as a low-cost borrowing option for eligible students. COHEAO believes that grant assistance is the financial aid of choice for low income students and supports efforts to increase funding for Pell Grants, the SEOG program, the SSIG program and College Work Study.

Specific amendments to Title IV proposed by COHEAO include:

1. COHEAO recommends simplification of Perkins Loan deferments to conform with the GSL program. In both instances COHEAO recommends limiting deferments to two categories: in-school periods and forbearance.

2. COHEAO recommends that any appropriated Perkins Loan funds currently required to be returned to the Treasury, instead be place in a National Revolving Fund and reallocated to institutions.

3. COHEAO recommends that the Department be permitted to capture unexpended Perkins loans funds which an institution has failed to award to eligible students within two years after the funds were received by the institution.

4. Institutions should be permitted to compromise on defaulted Perkins Loans to encourage borrower repayment.

5. Institutions should report Perkins loans to national credit bureaus within the period for which the loan was made. In general, COHEAO supports uniformity of practice regarding credit bureau reporting practices for Perkins and Guaranteed Student Loans.

6. COHEAO recommends that the requirement that collection agencies, loan servicers, and collection attorneys place monies collected on behalf of schools in interest-bearing accounts be deleted from current regulations. The appropriate time for funds to be place in interest bearing accounts is when the funds are returned to the institution.

7. Sec. 488 of the Higher Education Act should be revised to include Perkins Funds as eligible for transfer among campus-based accounts, and the percentage of funds transferable should be increased to 25 percent.

8. Perkins loan limits should be increased to an annual undergraduate maximum of $3,000; an undergraduate cumulative maximum of $15,000; and a graduate and professional student borrower maximum of $25,000.

9. Required use of IRS skip-tracing services should be made optional for institutions.

10. The Department of Education procedures for audits should be substantially revised.

11. The Department of Education procedures for program reviews should be substantially revised.

12. An administrative cost allowance of $10 per Guaranteed Student Loan should be paid to participating institutions by the Department of Education.

March 7, 1991

COHEAO Reauthorization Proposals

The Coalition of Higher Education Assistance Organizations (COHEAO) is a unique partnership of higher education institutions and commercial entities with a shared professional interest in fostering access to postsecondary education. COHEAO maintains a proactive focus on legislative and regulatory developments for all federally funded student aid programs.

Established in January, 1981 as a non-profit organization in the District of Columbia, COHEAO now has a membership comprised of over 300 colleges and universities, and other for-profit entities involved in the operational end of federally supported student financial assistance.

Introduction

This paper summarizes COHEAO's proposals for the reauthorization of the Higher Education Act of 1965. These proposals represent the input of the COHEAO Legislative Committee, and have been endorsed by the COHEAO Steering Committee. Questions regarding these reauthorization proposals should be directed to the COHEAO Legislative Chair, Kate Wilson at the Massachusetts Institute of Technology (617/253-2445).

General Principles

COHEAO member organizations support the expansion of the Perkins Loan Program as a low cost alternative to borrowing under the Federally insured Stafford and Supplemental Loans for Students (SLS) programs. All loan programs have been designed to support access to higher education. An inherent injustice arises when low-income students are required to incur large debts in order to attend a postsecondary institution. Increased borrowing by students and their families who have limited means to repay will naturally result in increased default costs in the program. One way to address this concern is through extended loan counseling. Students are counseled about loan repayment obligations and proper debt management to prevent defaults. COHEAO members believe that educated borrowing is facilitated also by sensible financial aid packaging by institutions. However, reducing the cost and volume of defaults in all loan programs, while at the same time maximizing access to postsecondary education for the neediest students, is the major reauthorization goal promoted by COHEAO.

COHEAO believes that three fundamental principles should guide the reauthorization process:

A. All eligible students should have access to quality institutions of higher education.

B. Financial assistance for the neediest students should be significantly increased to enhance educational opportunity for currently under-served student populations.

C. The incidence of default and the costs associated with it should be reduced.

These principles guide the COHEAO reauthorization proposals. The proposals focus primarily on three federally supported student loan programs: The Guaranteed Student Loan Programs, the Perkins Loan Program, and the Income Contingent Loan Demonstration Project. COHEAO supports the expansion of the Pell Grant program and the campus-based SEOG program and the College Work-Study program.

I. Issue: Simplification of Deferments.

Current law: Section 464(c)(2)(A) provides for 11 separate categories of deferments on Perkins Loans. Included are deferments for military service, full-time school enrollment, service as a Peace Corps or a VISTA volunteer, and volunteer work with a 501(c)(3) organization. The deferments also include one for parental leave and a deferment for working mothers "with preschool age children who are just entering or reentering the workforce and who are compensated at a rate not to exceed $1 in excess of the rate prescribed by section 6 of the Fair Labor Standards Act of 1938."

Current Regulations: 34 C.F.R. 674.34. The regulation closely parallels the statute.

Discussion: Current deferments are not only complicated to administer, but are difficult for financial aid or loan administrators to explain to students. Reducing the number and

types of deferments would: (1) simplify administration of the program; (2) increase a student's understanding of his/her rights and responsibilities; and (3) decrease technical delinquency and technical defaults.

COHEAO Recommendation: COHEAO recommends simplification of Perkins Loan deferments and making them identical to Stafford Loan deferments. These should be limited to two deferments: one for in-school (including half-time) and the other for forbearance to be defined by the institution (i.e., military service, temporary disability) according to regulations promulgated by the Department of Education. Interest would not accrue during deferment. COHEAO recommends no maximum length of time be specified for deferments, but that deferments be reviewed every six months.

II. Issue: Expansion of the Perkins Loan Program by Modification of Treatment of Funds Collected and Assigned in the Perkins Program.

Current law: Section 467 authorizes the assignment of Perkins Loans for collection to the Secretary. Collections on assignments, however, are returned to the U.S. Treasury.

Current regulations: 34 C.F.R. 674.50 specifies conditions for the assignment of defaulted Perkins Loans to the United States government. General regulations require the return to the U.S. Treasury of revolving funds recaptured from closed schools pursuant to audit findings and unclaimed cancellation reimbursements.

Further, Department policy requires institutions to return excess cash balances in its Perkins Loan Fund to the Department which reverts to the Treasury Department.

Discussion: Several proposals have been put forward for establishing a National Revolving Fund to permit greater numbers of Perkins loans to be available for students through reallocation to institutions. National Revolving Fund could include: (1) funds collected on assignments, (2) revolving funds from closed schools (3) funds recpatured from institutions pursuant to audit findings, and (4) unused appropriated teacher cancellation funds.

COHEAO Recommendation: Make modifications allowing any provision of the Act currently calling for funds to be placed in the Treasury to be revised to provide for the allocation of such funds to a National Revolving Fund and subsequently reallocated to institutions.

III. Issue: Reallocation of Unspent Institutional Revolving Funds.

Current Law: Section 466(c) of the Higher Education Act.

Current Regulation: None

Discussion: The Department of Education has expressed concern that some institutions are not awarding their appropriated Perkins Loan funds within a reasonable time frame. Under program requirements, any unexpended balance shown on the institutions financial report to the Department reverts to the U.S. Treasury.

Under no circumstance is an institution entitled to withdraw all of its allocation and carry it over into a subsequent award period unless the cash is shown to be needed in accordance with procedures established under ED procedures outlined in USDE Dear President letters date April 1978 and July 1979. COHEAO supports the Congressional and administrative goal of maximizing use of appropriated Perkins Loan funds, but believes it is proper that funds appropriated for Perkins loans are not designated as excess cash and lost permanently from the program.

COHEAO Recommendation: Allow the Department of Education to capture unexpended funds from an institution's revolving fund if those funds have not been awarded to students within two years after the funds were received. Additionally, direct the Department of Education to reallocate those funds to institutions participating in the Perkins Loan Program.

IV. Issue: Authority to compromise with borrowers on defaulted Perkins Loans.

Current Law: Currently, institutions or delegated collection agencies and attorneys are not authorized to compromise principal, interest, and late fees on defaulted Perkins loans. Compromise is permitted by guaranty agencies on defaulted Stafford loans after purchase of the loan from the originating lender or secondary market, and by the Department of Education and its agents who collect assigned student loans.

Regulations: Not applicable.

Discussion: Current law and regulation in the Perkins Loan Program is silent on the subject of compromise with borrowers. Many institutions believe that if a delinquent borrower is willing to pay 90 percent of principal, interest and late fees with a lump sum payment educational institutions and representatives (agencies, attorneys) should be permitted to accept the payment as payment in full. Reasonable restrictions should be placed on this authority to compromise in order to prevent abuse. Due diligence must be strictly followed and documented before compromise is allowed.

The Department of Education has developed specific criteria which must be met if compromise is to be allowed for assigned loans. Third-party collection agencies under contract to schools should be held accountable to the same criteria if they wish to have the privilege of compromise. Institutions should be held accountable to the same criteria if they wish to have the privilege of compromise.

COHEAO Recommendation: Institutions should be allowed to comprise on defaulted Perkins Loans to encourage borrower repayment. Compromise should be regulated by the Department to be consistent with the rules governing compromise under the Guaranteed Student Loan programs and the current criteria used by the Department for assigned loans. Compromise should apply for lump sum payments of 90 percent of the principal, interest and late fees on defaulted loans.

V. Issue: Credit Bureau Reporting in the Perkins Loan and Income Contingent Loan Demonstration Project Programs.

Current Law: Section 463(c) requires the Secretary to enter into cooperative agreements with credit bureau organizations for the purpose of exchanging information on loans assigned to the Secretary. The Secretary is required to provide--

(A) the date of disbursement and the amount of the loan;

(B) information concerning the collection of the loan, including information concerning the status of any defaulted loans; and

(C) the date of cancellation of the note upon completion of repayment by the borrower of any such loan.

Information can be disclosed to credit bureaus at origination, however, only with consent of the borrower, under the applicable program regulations (see below). Section 463(a)(11) requires the institution at origination to notify the borrower that a default on a Perkins loan may be reported to a credit bureau.

Current Regulation: 34 C.F.R. 674.31(b)(10)(i) requires that the borrower's consent be obtained before an institution notifies a credit bureau of a Perkins loan at the time of origination. 34 C.F.R. 674.45(a)(1) requires that the institution report a defaulted Perkins loan to a credit bureau unless specifically prohibited from doing so by State law. 34 C.F.R. 674(b)(1) requires an institution to select one or more credit bureaus for its information referrals with due regard for the coverage provided

by the bureau or bureaus. 34 C.F.R. 682.208(a) specifies that the GSL loan servicing process includes reporting to credit bureau organizations. 682.208(b) requires that, for GSL or PLUS loan, a lender must promptly report to at least one credit bureau the date of disbursement and the amount of the loan, including the repayment status of the loan; and the date the loan is fully repaid, or the date on which the borrower's debt was discharged by reason of death, bankruptcy or total and permanent disability.

Discussion: Institutions support credit bureau reporting as an effective means of reducing defaults. Currently only defaulted Perkins loans are reported. COHEAO recommends that ALL Perkins loans be reported when disbursed and that current obstacles to reporting loans to credit bureaus be removed. Credit bureau reporting provides a positive benefit to the borrower, establishes a positive credit history potential and provide all creditors with a more accurate picture of debt level.

COHEAO Recommendation: COHEAO recommends that Perkins Loans and ICL's be reported to the national credit bureaus by the institution no later than the period of study or the end of the award year for which the loan was made. Furthermore, schools and guaranty agencies should be prohibited from deleting adverse credit information except in the case of documented error.

COHEAO supports uniformity of practice between Perkins Loans, Income Contingent Loans and Guaranteed Student Loans, meaning that identical reporting requirements should apply. As a matter of

practice, this would require schools to notify national credit bureaus when loans are disbursed or delivered to the student, when a default occurs, and when other updates of information are required under the Fair Credit Reporting Act.

VI. Issue: Interest-Bearing Accounts.

Current Law: The Higher Education Act directs institutions to adopt practices which will protect the United States from unreasonable risk regarding the maintenance of the Perkins Loan Fund. Regulations require institution to deposit collections and cash in to an interest-bearing account. Since institutions retain collection agencies, loan servicers, and collection attorneys to collect on defaulted Perkins loans, the Department has ruled that third-party collection agencies must also maintain such collections in an interest bearing account.

Current Regulations: 34 C.F.R. 674.45(f)(1)(i) provides that: 34 C.F.R. 674.46

"An institution shall ensure that any funds collected as a result of billing, collection, or litigation procedures are-

(i) Deposited in interest-bearing bank accounts that are--

(A) Insured by an agency of the Federal Government; or

(B) Secured by collateral of reasonably equivalent value; or

(ii) Invested in low-risk income producing securities, such as obligations issued or guaranteed by the United States."

Discussion: The Department of Education, seeking to maximize campus-based Perkins Loan revolving funds, requires loan servicers, collection agencies, and collection attorneys to place funds in interest bearing account, with the interest payable back to the appropriate institution if it exceeds costs. Many collection agencies, attorneys, loans servicers, and some institutions, have criticized this requirement as unfair.

Attorneys handling of collection funds is regulated closely by States. In some states, interest earned on escrow funds are used to serve a variety of public purposes, including legal aid to the poor, funding student loans, and expansion of law-related education projects. The American Bar Association maintains a list of state regulations on this subject.

The average student loan collection attorney handles 25 to 50 cases per month. This small volume of cases cannot justify the high costs associated with maintaining and refunding interest. These costs will discourage many attorneys from seeking this type of work.

The problem is compounded for large national collection agencies supporting a large legal network for collections. These agencies must maintain constant monitoring of the activities of their collectors to assure maximum performance. The interest-bearing account regulation unfortunately complicates this process and makes the establishment of such a network more difficult.

The requirement that institutions must maintain Perkins Loan Funds in an interest-bearing account should continue since it maximizes earnings and make more funds available to borrowers.

COHEAO Recommendation: The statute should be amended to cancel current regulations and prevent the issuance of additional regulations on this subject. Collection agencies, loan servicers, and collection attorneys should not be required to place monies collected on behalf of schools in interest-bearing accounts. At the point at which proceeds are returned to the institution, funds should then be placed into interest-bearing accounts.

VII. Issue: Expansion Of Perkins Loan Program Through Authorizing the Transfer Of Up to 25 Percent of Other Federally Supported Campus-Based Programs.

Current Law: None

Current Regulation: None.

Discussion: Because appropriations for the campus-based programs have remained relatively constant and institutional preferences regarding use of campus-based funds vary, Congress authorized the transfer between certain programs of up to 10 percent of appropriated funding. For example, an institution may transfer up to 10 percent of College-Work Study funds to supplement SEOG awards, and vice versa. This provision has allowed institutions to adjust campus-based accounts to better reflect the diverse financial aid needs of eligible students. Increasing the

percentage of transferrable funding to 25 percent and making the Perkins Loan program an eligible participant in this transfer would give schools greater flexibility to increase their Perkins Loan volume even if annual appropriations remain relatively constant.

COHEAO Recommendation: Expand authority granted in Sec. 488 to include the Perkins Loan program. The institution would be able to transfer funds among the three campus-based programs. Increase the percentage of campus-based funds (appropriated and matching funds) available for transfer to 25 percent.

VIII. Issue: Increasing Perkins Loan limits.

Current Law: Section 464(a)(2) of the Higher Education Act specifies that the aggregate Perkins loan borrowing limits for students are--

$18,000 in the case of a graduate or professional student;

$9,000 in the case of a student who has completed two years of a program leading to a bachelor's degree, but who has not yet completed the degree; and

$4,500 in the case of any other student.

Current Regulation: 34 C.F.R. 674.12 parallel the statute.

Discussion: In the 1990's, students will need additional funds to pursue higher education. If access is to remain available to all students to attend institutions of their own choosing, additional financial aid funds will have to be made available. The Perkins Loan program provides students with the most economical

loan option. Higher loan limits for Perkins Loans, targetted to the neediest borrowers, could reduce the need to borrow under several programs for those students most in need of Federally subsidized loan assistance.

COHEAO Recommendation: Increase the annual undergraduate borrowing limit to $3,000. The cumulative limit for undergraduate borrowing would then increase to $15,000. For graduate and professional school borrowers these limits would increase to $25,000.

IX. Issue: Modification of required use of IRS skip-tracing.

Current law: Not applicable.

Current regulation: 34 C.F.R. 674.44 requires IRS skip-tracing as part of due diligence and no loan may be assigned to the Department of Education unless the skip-trace was conducted. It should be an option for all schools, not required, since there are more effective skip-tracing options available.

Discussion: The required IRS skip-tracing is unsuccessful in providing accurate data and is an administrative burden for institutions. Institutions agree that the IRS data is not current, that there is an excessive time lag between submission of the names to the Department of Education and the return of information from the IRS, the IRS database does not include name changes, nor does it performs a names/match function. In addition, institutions are required to file an annual "Safeguard Activity Report" which is an

unnecessary administrative burden.

COHEAO position. Use of the IRS skip-tracing service should be optional for all institutions since there are more effective skip-tracing options available.

X. Issue: Improved audit procedures.

Current law: Section 487(c) of the Higher Education Act.

Current regulation: 34 C.F.R. 668.23 specifies guidelines for audits, records and examination of institutions participating in the Perkins and other Title IV programs. 34 C.F.R. 668.14 and 688.15 outline standards used for evaluating the administrative capability of institutions.

Background and discussion: Throughout the 1980's, severe restrictions were placed on the availability of funds for the Department of Education to conduct audits. The result has been an increase in fraud and abuse in the program caused by inadequate oversight of institutions and other financial aid program participants.

COHEAO position: The Department of Education procedures for audits should be substantially revised to include the following:

A. ED and participating school staff should receive regular training regarding program regulations and implementation.

B. Schools with default rates in excess of 20 percent should be required to submit independent third-party audits to the Department of Education on an annual basis.

C. ED auditors performing audits pursuant to suspected noncompliance with program requirements should receive mandatory training by the Department of Education.

D. Audit information collected by ED and guaranty agencies should be shared with other relevant federal and state agencies.

XI. Issue: Improved program reviews.

Current Law: None

Current Regulations: 34 C.F.R. 668.23 specifies requirements for audits, records, and examination for institutions participating in the Perkins Loan Program. 34 C.F.R. 668.14 and 668.15 outlines criteria for evaluation of the administrative capability of institutions to participate in the Title IV programs.

Discussion: The same cut back in spending on technical assistance and oversight that diminished the frequency and effectiveness of the Department's audit procedures has applied to program reviews. The result has been an increase in the need for training of school and ED personnel to avoid abusive program practices.

COHEAO Recommendation: The Department of Education procedures for program reviews should be substantially revised to reflect the following:

Program reviews should be conducted using consistently applied guidelines to validate documented audit findings. Therefore, ED staff charged with completing program reviews should receive

standardized training. Necessary funds should be allocated to enable the Department to provide adequate training to personnel and conduct proper program reviews.

XII. Issue: Administrative Cost Allowance for Guaranteed Student Loans.

Current Law: Schools are not eligible to be reimbursed for administrative expenses in connection with the Guaranteed Student Loan programs. Institutions receive a five percent administrative cost allowance for the administration of the Pell Grant Program.

Current Regulation: None.

Discussion: In recent years Congress has enacted numerous amendments requiring schools to assume new responsibilities including entrance and exit counseling and complex loan disbursement procedures. These requirements have significantly increased the administrative costs borne by schools which now face badly strained budgets. Up until 1981, a provision in the law, which was never funded, authorized the payment of a $10 per Guaranteed Student Loan administrative cost allowance.

COHEAO Recommendation: An Administrative Cost Allowance of $10 per Guaranteed Student Loan (including all of the Part B loans) should be paid to participating institutions by the Department of Education.

Senator PELL. Mr. Hood.

Mr. HOOD. Mr. Chairman, members of the subcommittee, on behalf of financial aid administrators across this Nation who are dedicated to serving students, thank you for the invitation to share with you a perspective regarding the benefits of the campus-based programs.

I would be remiss if I did not mention my own Senator from Mississippi, Senator Thad Cochran, who is a strong supporter of Federal student financial aid programs.

It is appropriate to step back and evaluate objectively whether or not programs are achieving their objectives. Some have asked how important can these programs be to the overall scheme of financial assistance to students. At first look, one might justifiably wonder, based on the comparably small stature these programs enjoy next to Pell grants and Stafford Loans. However, there are some very important principles in play which assist in the achievement of title IV program objectives beyond financing the cost of education.

These principles include: modified equity packaging; real life and work experiences; the concept of self-help, and a lesson in responsible borrowing. I have explained these four principles in greater detail in my written testimony further supporting the role played by campus-based programs.

Please let me take this opportunity to comment on each of the programs falling under the rubric of campus-based programs.

Supplemental Educational Opportunity Grants serve an important role in complementing the formula-driven Pell grant and Stafford Loan programs. We at the University of Mississippi use a modified equity packaging approach with this program. By this, I refer to one of a limited number of concepts used in combining the various State, Federal and institutional assistance programs to meet financial aid eligibility.

The modified equity packaging concept is used on our campus to the extent possible to assure eligible students that they will be neither overburdened by educational indebtedness nor unfairly benefited by receiving a disproportionate amount of gift assistance such as grants and scholarships, at the expense of other students who demonstrate similar levels of need.

The college work-study program enhances a student's educational experience in addition to classroom activities. This program provides opportunities for work experiences on and off-campus to a wide range of eligible students in an integrative process with students from differing cultural backgrounds. Real life work experiences enable the student recipient to become better acclimated to the academic community in which they have chosen to become a part.

College work-study and Perkins Loans also represent a self-help concept that imparts a sense of participation in the overall college financing scheme. Both college work-study and Perkins Loans help develop a sense of self-esteem. Therefore the self-help programs at least in a small portion give the student an opportunity to contribute personally toward paying for his or her education.

The final principle I will offer in support of campus-based programs is associated with Perkins Loans. Many students come from economically disadvantaged backgrounds. These students, regard-

less of this fact, may still borrow from the Perkins Loan program. Students establish a good credit background with timely repayment after graduation. This program is administered by institutions, thus reducing the delay often associated with loans by banks and other outside agencies. Students with the greatest need have an opportunity to borrow from the Perkins Loan program with a lower interest rate and less burdensome payments than those in the Guaranteed Loan programs.

With this program, we acknowledge our faith in the needy student to secure employment after graduation and repay the loan.

The four principles I have explicated in this testimony further support the important role played by campus-based programs. States and institutions of higher learning work in partnership with the Federal Government in support of these programs by contributing a proportional matching amount. Although we should be open to creative alternatives to modify assistance programs, none has been offered which can accomplish as much as these programs do in their present form by providing both tangible pecuniary and intangible personal growth benefits.

If proposed for reduced funding or elimination of SEOG, work-study or Perkins Loans becomes a reality, the principal benefits of educational opportunity afforded by campus-based programs will be obviated to the detriment of students nationwide.

Further proposals for reductions at the Federal level come at a time when financially strapped States can ill afford to increase disproportionately the matching requirements.

I wish to close with a quote from Thomas Jefferson, who was well-known for his support of education. Jefferson said: "Any Nation which expects to be ignorant and free in a State of civilization expects what never was and never will be."

I thank you for the invitation to appear today and will be pleased to answer any questions you may have.

Senator PELL. Thank you very much indeed.

[The prepared statement of Mr. Hood follows:]

PREPARED STATEMENT OF THOMAS G. HOOD, DIRECTOR OF STUDENT FINANCIAL AID THE UNIVERSITY OF MISSISSIPPI

Mr. Chairman and members of the subcommittee, on behalf of financial aid administrators across this nation who are dedicated to serving students seeking opportunities for access to higher education, thank you for the invitation to appear today to share with you a perspective regarding the benefits of the "Campus-based Programs" authorized under Title IV of the Higher Education Act. I would be remiss if I did not recognize my own Senator from Mississippi, a member of this Committee, Senator Cochran who is a strong supporter of the federal student assistance programs. The three Campus-based Programs are the oldest of the Title IV programs--Supplemental Educational Opportunity Grants (SEOG), College Work-Study (CWS), and Perkins Loans. Therefore, as you prepare for Reauthorization it is appropriate to step back and evaluate objectively whether or not these programs are achieving their purposes. The perspective I will share with you today should help to demonstrate the success of the Campus-based Programs which serve hundreds of thousands of students every year enabling them to achieve their educational dreams and career aspirations. I wish to briefly describe each program and comment on several areas and questions that I believe the Subcommittee should address in this reauthorization of the Higher Education Act.

SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT (SEOG) PROGRAM

SEOG was authorized in the Educational Amendments of 1972 enacted June 23, 1972, to provide grants to needy students attending postsecondary institutions, who, for lack of financial means of their own or of their families, would be unable to obtain higher education without the grant. Currently, funds must be awarded first to students with exceptional financial need with priority going to those students who are Pell Grant recipients.

Funds under this program are allocated by formula to participating schools which use them to make awards to undergraduate students with demonstrated financial need. Beginning with FY '91, the federal share of student awards under the SEOG Program cannot exceed 85 percent; the remaining 15 percent of the student awards are contributed by each participating institution. It is estimated that the FY '91 appropriation of $520.2 million will provide awards to some 835,000 needy students during the 1991-92 award year. In Mississippi, using the most recent available data in Award Year 1988-89 total number of recipients in the state was 10,856 students; the amount awarded by colleges totaled $5,535,892.

Funds are allocated to institutions based on their FY '85 allocation. In any year in which the appropriation for SEOG exceeds the FY '85 level, the first 25 percent of the excess funds is allocated as an equal percentage to all institutions. The remaining 75 percent of the excess is allocated on the basis of institutional need.

Grants may be awarded to enrolled undergraduate students who meet the general eligibility criteria specified by statute and regulation. The maximum annual award is $4,000, and the minimum award is $100; both the minimum and maximum awards must be prorated for less-than-full academic year attendance. Institutions have discretion to use their allocations for less-than-half-time students and are required to allocate a reasonable portion of their funds to such students if they are included in the school's calculation of need.

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The biggest asset of the SEOG Program, for both students and institutions, is the fact that it allows institutions to be more sensitive to the needs of their students. The program acts as a very viable and effective complement to the formula-driven Pell Grant and Guaranteed Student Loan programs by allowing institutions to aid needy students that have "fallen between the cracks." We, at the University of Mississippi, use a "modified equity packaging" approach in this program. By this, I refer to one of a limited number of concepts used in combining the various federal, state, and institutional financial assistance programs to meet demonstrated financial aid eligibility. The "modified equity packaging" concept is used on the University of Mississippi campus to the extent possible to assure eligible students that they will neither be overburdened by educational indebtedness, nor unfairly benefitted by receiving a disproportionate amount of gift assistance (grants and scholarships) at the expense of other students who demonstrate similar levels of eligibility. (I have provided an example of this concept with my testimony).

A balance is sought with equity packaging between gift and loan assistance which can serve as a key element with future success in helping to reduce student loan default rates. Supplemental Educational Opportunity Grants (SEOG) are used in support of Pell Grants which are considered the foundation upon which all financial aid packages are developed. The annual average SEOG is $622 nationally and $510 in Mississippi. As previously stated the annual statutory maximum SEOG is $4,000. It is unfortunate that insufficient funding prevents wider use of this program in an effort to achieve an "absolute equity program." The University of Mississippi uses a modified approach in recognition of the fiscal limitations to an "absolute equity" concept and targets those students on our campus who have demonstrated "exceptional financial need" in the development of an equity

package which is balanced 47-53 percent with family contribution, Pell Grants, Scholarships, and SEOG.

In recent years, however, both additional regulation and decreased funding for the program have limited our ability at the University of Mississippi, as well as that of my colleagues across the country, to be as flexible as we would like. Take for instance the case of a needy student whose parents experience a substantial decrease in income from one year to the next. It is very possible that this student would be deemed not eligible for a Pell Grant because his/her parent's base year income, rather than expected year income, is used to compute eligibility for a Pell Grant. As I mentioned earlier, under current law SEOG funds are awarded with a priority to needy students who are Pell Grant recipients. Under this scenario, then, the student in question may have a greater need than other Pell Grant recipients at the University of Mississippi, but would not be first in line for a SEOG. Non-traditional students who are enrolled on a less-than-half-time basis and who are not eligible for a Pell Grant are also affected negatively by this requirement. As such I would hope that you would consider allowing institutions more flexibility in determining the priority for awarding SEOG funds when you reauthorize the program. Like you, we too want to insure that our neediest students receive priority for grant funds, but sometimes Pell Grant recipients are not our neediest students. This requirement of giving priority to Pell Grant recipients has also resulted in some schools being cited by Education Department auditors for non-compliance, when they have honestly awarded SEOG funds to their neediest students.

The inability of Federal funding for the SEOG program to keep pace with inflation or the rise in student costs associated with attending a postsecondary institution has also hurt institutional flexibility in the program. As an example, due to limited funds, many institutions award little or no funds to less-than-half-time students because so many of their full-time students have unmet need. An increase in future authorizations and subsequent appropriations for this program would not only allow institutions to aid additional numbers of full-time students who have additional need, but would allow us to be sensitive to the growing but varied numbers of non-traditional students who are pursuing a postsecondary education. These grants also serve to reduce student loan burdens and, therefore, are extremely important for our higher risk students.

Despite these drawbacks, the SEOG Program has, year after year, proven to be a very successful and essential program in helping Mississippians attend a postsecondary institution. As you know, Mississippi, like many other states in the nation, does not have a very large state grant program compared to some of the larger states and funds from the SEOG program are essential to assisting our needy students. I remain concerned, however, about proposals that would substantially increase the institutional matching requirement for participation in the SEOG Program. Mississippi, like many other states, is experiencing severe budget problems due to the economy. State institutions like my own—that also rely on state appropriations for funding—would be put in a precarious position and risk losing the benefit of the entire program if the matching requirement were substantially increased in the near term.

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COLLEGE WORK-STUDY (CWS) PROGRAM

Next, I would like to turn my attention to the College Work-Study (CWS) Program. The CWS Program was authorized in the Economic Opportunity Act of 1964 to stimulate and promote the part-time employment of undergraduate and graduate/professional students who need earnings from employment to finance their courses of study at eligible institutions. I would like to point out that the fact that CWS funds can be used to aid graduate/professional students is a very important feature for many institutions.

Under this program, funds are allocated by formula to participating schools, which in turn use these dollars to create and subsidize part-time employment opportunities for needy students. The FY '91 appropriation of $594.7 million is expected to provide jobs to more than 827,000 students, with an average award of $945, at approximately 3,900 eligible postsecondary educational schools. In Mississippi, using the most recent available data in Award Year 1988-89, the total number of students employed by the program in the state was 12,055; and they earned $9,489,848; the average amount earned was $787 in the College Work-Study Program. Nationwide, nearly 70 percent of these funds generally go to students with family incomes of $24,000 or less. Approximately 55 percent of the monies go to students in public institutions, 42 percent to students in private schools, and 2 percent to proprietary school students.

Between 1968 and 1988, federal funds covered up to 80 percent of student wages, with the remaining 20 percent being paid by the institution, the employer, or some other donor. The federal percentage was reduced to 75 percent in FY '89, and is currently 70 percent.

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I would note this increase from 20 percent to 30 percent in institutional matching has not always been easy for many schools to obtain, including some of my colleagues in Mississippi.

Funds are allocated to institutions based on their FY '85 allocation. In any year in which the appropriation for CWS exceeds the FY '85 level, the first 25 percent of the excess funds is allocated as an equal percentage to all institutions. The remaining 75 percent is allocated on the basis of institutional need.

Students employed under the program participate in a wide variety of campus and off-campus employment activities. The University of Mississippi attempts, whenever possible, to provide CWS students with employment opportunities in their desired field of study or one closely related. Therefore, in many instances, employment under the program provides students with the opportunity to receive training and experience in their selected course of study. It has been my experience that the College Work-Study program enhances a student's educational experience and—in many cases—serves to increase student retention. College Work-Study provides opportunities for work experiences to a wide range of eligible students in an integrative process with students from differing cultural backgrounds. Real-life work experiences enable the student recipient to become more acclimated to the academic community in which they have chosen to become a part. The CWS Program also represents a "self-help" concept that imparts a sense of participation in a student's overall college financing and helps develop a sense of self-esteem.

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Students employed under the CWS Program must meet the general criteria specified by statute and regulation. There is no minimum or maximum CWS award amount specified by statute. However, in determining the amount to be awarded, the institution considers the individual student's financial need, number of hours per week the student can work, the length of the academic program or period of employment, the anticipated wage rate, and the amount of other assistance available to the student. Wage rates are a function of the duties and responsibilities of the particular job, but, according to federal regulations, must be at least equal to federal minimum wage standards.

Another component of the College Work-Study Program is the Job Location and Development (JLD) program. Under the JLD Program, an institution may use up to 10 percent of its federal CWS allocation or $30,000, whichever is less. The program is designed to expand off-campus job opportunities for all eligible students who want jobs, regardless of their financial need. At the University of Mississippi, we have developed a limited JLD program and it has helped many of our students to find part-time employment in the community of Oxford.

The Community Service Learning (CSL) Program is designed to develop, improve, or expand services for low-income individuals and families, or to solve particular problems related to the needs of low-income individuals. It is a program of student work that provides direct and tangible services to improve the quality of life for community residents. Students are provided with work-learning opportunities related to their educational or career goals. Community services may include activities related to such fields as health care, education, welfare, social services, public safety, crime prevention and control, child care,

literacy training, housing, neighborhood improvement, and more. Schools may use up to 10 percent of their CWS allocation for community service learning programs. While the concept of this program is good, we have not been able to implement it at the University of Mississippi primarily because of administrative complexities that are involved and the lack of resources.

PERKINS LOAN PROGRAM

The final program I wish to discuss is the Perkins Loan Program. This program is the grandfather of all student aid programs and is authorized in Title IV part E of the Higher Education Act of 1965 to stimulate and assist in the establishment and maintenance of funds at institutions of higher education for the purpose of making low-interest loans to students with exceptional need to enable them to pursue their courses of study.

Perkins funds provide the institution with flexibility in packaging student aid awards to best meet the needs of the students. The program is administered by institutions, thus reducing the delays often associated with loans granted by banks or other outside agencies. In academic year 1991-92, over 3,300 institutions will provide 688,000 borrowers with average loans of approximately $1,250 based on a total lending pool of about $859.8 million. In Mississippi, using the most recent available data in Award Year 1988-89 total student borrowers numbered 6,760; colleges in the state lent $9,316,573; and the average amount lent was $1,378 in the Perkins Loan Program. Nationally, approximately 64 percent of loan funds go to students with family incomes of $24,000 or less.

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Perkins Loan funds are a combination of federal and institutional capital contributions. The institutional contribution equals one-ninth of the Federal Capital Contribution. Additional capital is generated from collections on prior loans that go into the institution's revolving fund to be relent to other students.

Funds are allocated to institutions based on their FY '85 allocation. In any year in which the appropriation for Perkins exceeds the FY '85 level, the first 25 percent of the excess funds is allocated as an equal percentage to all institutions. The remaining 75 percent is allocated on the basis of institutional need.

The program provides loan capital from new Federal Capital Contributions and from collections from prior borrowers to students at the following levels: $4,500 in the case of a student who has not completed two years of a baccalaureate degree program; $9,000 in the case of an undergraduate student who has completed two years of a baccalaureate degree program; and $18,000 in the case of a graduate or professional student including all prior Perkins loans received.

The terms and conditions for students receiving Perkins loans are as follows. The current interest rate is 5 percent per year. No interest accrues until the beginning of the repayment period. After a nine-month grace period following cessation of studies, the student begins repayment which normally extends up to ten years. Deferment and cancellation provisions exist for specified employment or service. Students who cannot afford to repay the loan according to schedule because of some type of hardship may request a special deferment to assist in avoiding default. Students who wish to borrow

under the program may do so without security and without endorsements, unless they are minors and the signature of a minor is not legally binding under state law. The loan may be repaid at any time without penalty.

The Perkins Loan Program provides another avenue of self-help for those financially needy students who, for whatever reason, cannot participate in work-related activities or who need additional self-help beyond work-study. By providing long-term, low-interest loans to financially needy students, this program has offered a system of credit to those persons who in many cases would have difficulty securing loans from commercial lenders. Institutions using the Perkins Program rather than the higher interest rate Stafford program can mitigate the fear of borrowing for those who have little family experience with borrowing and/or have an established a credit history. Further, it is clear that many students, if they borrow because the grant programs are inadequate to meet their needs, should borrow from the Perkins Loan Program, with more favorable terms, rather than borrowing a Guaranteed Student Loan. Borrowing a Perkins Loan can give students the satisfaction of knowing that they are actively playing a role in financing their education. A Perkins borrower will build self-esteem by knowing the postsecondary institution recognizes him or her as responsible and believes the student will repay the loan after graduation and upon securing a job. Students can establish a good credit history by timely repayment of the loan after graduation. These intangible benefits are an important aspect of the Perkins Loan Program. Also, I note that Perkins Loans are available for financially needy graduate students, although the credit needs of undergraduate students are so large and the program has been so underfunded in this past decade to preclude greater utilization of the program by graduate students.

Another point I wish to make about the Perkins Loan Program is the "risk factor." Risks always can be identified with the extension of credit solely on the basis of financial need. We risk bringing borrowers into the program who have little family experience with borrowing and/or establishing a credit history. Some students will come from families with no borrowing history at all and to them the concept of $10,000 of educational indebtedness is terribly frightening. Some students may temporarily "stop out" (leave school for a short period of time, but return at a later date), or withdraw completely from school never to return. Other students will go on to graduate and may be underemployed unable to meet minimum daily subsistence requirements let alone repay a student loan. We have become painfully aware of some of the statistics related to the history of repayment represented by these situations.

In 1988-89 the Perkins Loan default rate in Mississippi is 14.41 percent, and nationally the rate is 6.75 percent. Better than 93 percent of the borrowers nationally are currently working to establish a good credit history and the comparable rate in Mississippi is better than 85 percent. The average annual Perkins Loan made to students is $1,263 nationally and $1,378 in Mississippi. This level of lending falls well short of the statutory maximums for undergraduate students. One reason for a seemingly high Perkins Loan default rate in my state is due to, in part, Mississippi having one of the lowest per capita family incomes which is $11,835.

At the University of Mississippi, we target the student who demonstrates exceptional financial need as the primary candidate for the Perkins Loan so that he or she is not

further disadvantaged by surrendering funds borrowed to meet need for origination and guarantee fees associated with the Stafford Student Loan Program.

One change in the Perkins Loan Program, which I would like to propose for your consideration is simplifying and reducing the number of deferments. Currently there are nine circumstances that entitle a student to a loan deferment. I believe these could be reduced to three without causing any hardship upon students, while making the program easier to administer and explain to borrowers. The three deferments, I would propose are 1) an in-school deferment for half-time or greater attendance; 2) an unemployment or hardship deferment for up to two years; and 3) a temporary total disability deferment for up to three years.

The Campus-based Programs are integral components in a student's financial aid package. Though it may be lamentable that these programs, through fiscal limitations, are not broadly accessible to all eligible students, hundreds of thousands of students do benefit from Campus-based program availability.

The Supplemental Educational Opportunity Grant Program and the College Work-Study Program are necessary programs that help to prevent many students from borrowing more than is advisable. The Perkins Loan Program allows students, especially those most in financial need, to borrow from a program that is proven to work with less burdensome repayments than the Guaranteed Student Loan Program and with greater simplicity for students and institutions. The major criticism that may be leveled at the operation of these programs is not the fault the programs. The flaw and criticism of the Campus-based Programs that financial aid administrators would flatly state to you is the underfunding of

the programs in this last decade and the instability caused by almost constant attempts to eliminate or reduce the programs. For the Congress and the Administration to appropriate and spend the necessary amounts needed to meet legitimate student financial needs utilizing the Campus-based Programs would be among the most important changes that can be accomplished during this Reauthorization. While I recognize that appropriations are not in the jurisdiction of this Subcommittee, I can sincerely request that any changes you make in the Campus-based Programs be made with the view to convince those Senators who do make the budget and appropriations decisions that each of the Campus-based Programs works well and must be funded at levels which will enhance student educational opportunity.

In closing, let me summarize my thoughts on the Campus-based Programs. Some have asked "How important can these programs be to the overall scheme of financial assistance to students?" At first look, one might justifiably wonder based on the comparably small stature these programs enjoy next to Pell Grants and Stafford Loans. However, there are some very important principles in play which assist in the achievement of Title IV program objectives beyond financing the cost of education.

These principles include:

1. Modified equity packaging
2. Real life and work experiences
3. The concept of self-help and
4. A lesson in responsible borrowing.

The four principles I have explicated in this testimony further support the important role played by the Campus-based Programs. Though we should always be open to creative

alternatives to modify financial assistance programs, none has been offered which can accomplish as much as these programs do in their present form. If some of the current proposals to eliminate SEOG, College Work-Study and Perkins Loans becomes a reality, the principle objectives of the Campus-based Programs will be obviated to the detriment of students nationwide.

Thank you again for inviting me to appear before you and I will be pleased to answer any questions you have.

Packaging Sequences

Within the framework of regulatory criteria, aid is awarded in the sequences shown below.

- **Ladder Concept**

  Pell Grant and other external resources
  SEOG
  Perkins and/or institutional loan
  CWS

- **Self-help Concept**

  Pell Grant and other external resources
  Perkins and/or institutional loan
  CWS
  SEOG

- **Absolute Equity**

  Pell Grant and other external resources
  SEOG
  Equity Grant (if any)
  Perkins and/or institutional loan
  CWS

- **Fixed Percentage Equity**

  Pell Grant and other external resources
  SEOG
  Equity Grant (if any)
  Perkins and/or institutional loan
  CWS

Packaging Parameters

Case Study One Parameters

Absolute Equity level = $2,500
Fixed Percentage Equity Level = .50 x Budget

Type of Award	Academic Year Minimum	Academic Year Maximum
SEOG	$100	$500
CWS	$500	$1000
Perkins Loan	$500	$1000
Institutional Loan*	$0	$500
Equity Grant	$200	$500

All awards should be rounded to the next lowest $100; e.g., $287 would be rounded to $200.

Assume full-time enrollment and a nine-month budget.

*Use institutional loan funds only if student has insufficient remaining need for minimum Perkins Loan eligibility.

Packaging Solution

Case Study One: Rod Ford

	Ladder	Self-Help	Absolute Equity	Fixed Percentage Equity
Pell Grant (PGI = 768)*	1502	1502	1502	1502
External Resources**	800	800	800	800
Remaining Need	2490	2490	2490	2490
Perkins Loan	1000	1000	1000	1000
CWS	900	1000	900	900
SEOG	500	400	500	500
Institutional Loan	0	0	0	0
Equity Grant	—	—	0	0
Stafford Loan	0	0	0	0
Unmet Need	90	90	90	90

Budget and Need	
Tuition and fees	$1900
Room and board	+ 2500
Books and supplies	+ 00
Transportation	+ 500
Personal/miscellaneous	+ 600
Dependent care allowance	N/A
Budget	= $5900
Family Contribution	− 1108
Need	= 4792

*Pell Grant budget = $4200
**PTA scholarship

Family Contribution	$1108
Pell Grant	+ 1502
External Resources	+ 800
Total Outside Resources	= $3410
Absolute Equity Level	$2500
Equity Grant Eligibility	0
Fixed Percentage Equity	$5900 x .50 = $2950
Equity Grant Eligibility	0

Senator PELL. Father Whalen, I may not have caught it, but where would the capital come for this rather massive program of yours?

Rev. WHALEN. Currently, the way we do it, Mr. Chairman, is by issuing taxable commercial paper notes as a corporation, just as other major corporations would do.

The taxable commercial paper note market now runs approximately someplace between $700–$800 billion a year, and it is basically corporate borrowings.

Senator PELL. But what are your assets to back it up, or collateral?

Rev. WHALEN. There are a couple of them. One is the promissory note of the student or parent. That is backed by a letter of credit from a major bank—actually, we are now dealing with several major banks, all foreign, by the way— one is Japanese, another is Australian; we are talking to a couple of European banks—because American banks have different rules now for capitalization, and it makes their letters of credit too expensive. What we have tried to do is to keep the interest rates as low as we can get them.

The reason I went into the commercial paper market is because it is the cheapest form of money you can get in the private sector apart from tax-exempt financing.

Senator PELL. It sounds wonderful, but it is just like printing money, isn't it?

Rev. WHALEN. Not really.

Senator PELL. What is behind it?

Rev. WHALEN. Well, as I said, we buy a letter of credit from a major bank, and then there is an insurance policy, a surety bond, that stands behind that.

Senator PELL. But to get the letter of credit, it would seem to me you must have some collateral.

Rev. WHALEN. No; I managed to do it without it. I started without a nickel; did not have any capitalization at all.

Senator PELL. I think you are Houdini; that is terrific.

Rev. WHALEN. It can be done. If an old priest like me can do it, almost anybody can do it.

But the demand for it is really extraordinary. We started to distribute the loans both through colleges and universities, of course, and then through corporations. The corporation community got so interested in this thing that we started that program about 3 years ago, and we now have over 18,000 corporations signed up for the program. They sign up for it, put their own stamp on it, and give it to their employees as an employee benefit.

The need of middle class people for money for higher education is just extraordinary. I don't care how much money you make—if you've got two or three kids in college at the same time, you have to have some source of funds, absolutely have to.

I had some doubts for a while when I was younger, but the older I get and the more I realize how much it costs to send a kid to school, the more I appreciate clerical celibacy. [Laughter.]

Senator PELL. Thank you.

Ms. Wilson, are the campus-based programs used as a recruitment tool to attract a more diverse student body?

Ms. WILSON. We package the lowest-income students with the most attractive funds, which are the low-interest Perkins Loan funds.

Senator PELL. At MIT, which is where you are, I have always understood that Asian students are particularly brilliant and perform particularly well; would that be correct?

Ms. WILSON. That, I don't know.

Senator PELL. Mr. Hood, what would be your comments on the question of whether campus-based programs are used as a tool?

Mr. HOOD. Certainly, I think the important factor in campus-based programs is the institutional flexibility to make sure—and let me reemphasize—that we don't overburden students with indebtedness. So as a recruitment tool I don't know that it is absolutely effective, although it might be with some sort of unrestricted funding.

Just to give you an example, for instance, with the SEOG program we target those with an index in the Pell grant of 600 or less. Indexes run up to 2,200 for eligible candidates for the upcoming year. So we are leaving out everybody from 601 and above; so how do you recruit effectively with that?

Right now our system is targeting the lowest-income group, and I am still leaving out 323 students on my campus because of lack of funding. I could target this for lower, or I could spread out the amounts more. So as an effective recruitment tool, I can't see that that is the case. As a tool to help reduce loan burden or to balance a package, that would certainly be primary in my case.

Senator PELL. Thank you very much.

Senator Kassebaum.

Senator KASSEBAUM. Father Whalen, perhaps you mentioned this and I just didn't catch it, but do you have any eligibility requirements—is there an income level?

Rev. WHALEN. There is no upper family income level. There is a minimum income level required of $15,000, and we have to have that because of the surety company that we have to buy insurance from.

Senator KASSEBAUM. Is that all liquid assets, or do you count nonliquid?

Rev. WHALEN. It is just employment income from whatever source of $15,000 a year.

Senator KASSEBAUM. Income, not assets.

Rev. WHALEN. Right. We don't look to assets at all; we look to debt-to-income ratios.

Senator KASSEBAUM. Have you discussed this with Sallie Mae at all?

Rev. WHALEN. Yes. We have been working with Sallie Mae off and on for over a year. I proposed this to them, and they didn't want to do it without buying our company; they wanted to own us. We didn't think that was such a good idea, so I decided to come to you instead. [Laughter.]

Senator KASSEBAUM. Well, it is certainly an innovative approach and very interesting.

Rev. WHALEN. I think it is going to have to spread, too. We're not going to be able to set aside a $60 billion a year need for middle class people for education costs. But what I have tried to do is to

get the rates low enough and to really pare down expenses so that anybody else getting into the marketplace is not going to come in and say, "Yes, I'll give you a 15-year loan and charge you 30 percent interest for it."

Senator KASSEBAUM. Are you responsible for collecting, or do you have an outside collection agency?

Rev. WHALEN. We contract with Wacovia Student Services in Winston-Salem, SC to service the loans for us, but we also have our own in-house staff that begins to make telephone calls and send letters in addition to what Wacovia does when a loan becomes 15 days delinquent. Our gross default rate is 1.4 percent, and we have a default fund that we actually over-issue commercial paper to fund that takes the first hit before the surety corporation has to get involved in it.

Senator KASSEBAUM. Mr. Hood, Senator Cochran asked me especially to welcome you as a representative of his alma mater, and to offer his apologies. He is held up in another hearing this morning.

Mr. Chairman, I do have an opening statement for Senator Cochran that he would like to have made a part of the record.

Senator PELL. Without objection.

[The prepared statement of Senator Cochran follows:]

PREPARED STATEMENT OF SENATOR COCHRAN

Mr. Chairman, since 1965, when the Higher Education Act was originally enacted, there has been a Federal commitment to ensure that all students, regardless of their economic circumstances, can if they choose, attain a postsecondary education.

Over the past decade, title IV student financial aid programs have been plagued with problems, among them high default rates among student borrowers fraudulent practices and inferior programs at some proprietary schools college costs rising at seven to ten percent each year, while Pell grant limits have been capped at $2,300 until this year, when the maximum award rose to $2,400. However, as serious as these problems are, we must not let them detract from the positive role the Federal higher education programs play in providing access to a college education for fifty percent of this nation's students. In Mississippi, over sixty percent of postsecondary students receive either Federal grants or loans or a combination of both.

I would like to welcome the witnesses that are here before the Subcommittee today who add so much to the process of understanding the needs of students, their parents and institutions. In particular, I would like to recognize Tom Hood, from the University of Mississippi. He has been a tremendous resource for me and my staff on higher education issues in Mississippi and I believe he will provide this Subcommittee with valuable information based on his experiences. I look forward to hearing all your statements and suggestions.

These are complicated programs and I look forward to going through the process of examining them and highlighting the successes. Thank you.

Senator KASSEBAUM. I'd like to ask Ms. Wilson and Mr. Hood both, because I think you both spoke to the Perkins Loan in particular, is this the major loan for, say, MIT in your portfolio?

Ms. WILSON. Students can get a combination of either the Perkins Loan, the Stafford Loan, or an MIT technology loan, and we target the Perkins Loan toward the lowest-income students.

Senator KASSEBAUM. I guess what I'm asking is is it proportionately the one used the most?

Ms. WILSON. The lowest-income students would borrow approximately $1,600 a year from Perkins Loans.

Senator KASSEBAUM. But I mean is the Pell grant or the Stafford Loan——

Ms. WILSON. The other part of their financial aid package is met with grants, that that is mostly institutional resources. So the maximum that any student borrows next year from the lowest-income group will be about $6,000, and that is a combination of loan and grant and employment. The rest of the budget, between $6,000 and almost $24,000, is met by SEOG, Pell grant and/or institutional grant.

Senator KASSEBAUM. But the Perkins has been a major portion of that, I'm gathering. Is that true for Mississippi as well?

Mr. HOOD. No. At the University of Mississippi, our program is about $700,000 to $1 million a year in new loans, in the Perkins program. I have a central financial aid office for undergraduate, graduate, pharmacy school and the law center. So we spread that out over all those schools. The biggest program is the guaranteed or the Stafford Student Loan. We have about $9 million in it this year; it is rather huge. We also depend an awful lot on the Supplemental Loan program, which is about $2 million, and parent loans, also around $2 million.

So we don't get the true benefits we'd like to have for our neediest group. Again, the statistics I have show that we have an equal number of students not receiving the Perkins Loan who are eligible as those who are, about 722, who receive some benefits. We target the neediest students. We try to keep them in one loan program because we are a public institution and build a package so that they won't be burdened with maybe two loan repayments, as problem that we certainly should be aware of at some of the private institutions around the country.

Senator KASSEBAUM. Does the University of Mississippi have open admissions? By that, I mean do you have an entrance exam?

Mr. HOOD. Minimum test scores on the SAT or ACT, that's correct.

Senator KASSEBAUM. Of course, MIT has a fairly high level entrance level of any student, and that alone, would guarantee to a certain extent students who are pretty focused; would you not say?

Ms. WILSON. Yes.

Senator KASSEBAUM. I would guess you have a pretty high level of repayment.

Ms. WILSON. Yes. Our default rate is only 1.18, and that is a combination of the type of students but it is also part of our educational process to provide loan counseling when they come in when they are first-time borrowers, then exit interviews, and then we work with them for 10 years afterwards. We have what is traditionally

called a collection staff—we call it alumni services. So there is a commitment to work with default prevention and debt management as well as repayment terms for 10 years.

Senator KASSEBAUM. That seems to me a very beneficial service. Has that proved so?

Ms. WILSON. Yes. Having been in student aid for 20 years, I can appreciate the requirements to have loan counseling in advance and exit counseling as very effective ways of educating borrowers.

Senator KASSEBAUM. Mr. Hood?

Mr. HOOD. I would certainly agree. The aggressive loan we have taken in the pre-loan counseling goes well beyond what the regulations require. We send everybody through, and certainly at the point when they withdraw from school, we catch them in our office and give them some exit counseling at that point, too. We believe it is very important in keeping a low default rate. Our Stafford Loan rate is somewhere about 1.8 percent, and the cohort default rate, Perkins is around 5, hovers between 4 and 5.

Senator KASSEBAUM. Thank you very much. I certainly appreciate your testimony.

Senator PELL. Thank you all very much indeed. We particularly have great respect for Ms. Wilson's organization, COHEAC.

Father Whalen, I congratulate you on your innovative, creative ability, and imaginative ability.

And Mr. Hood, thank you for being here.

Mr. HOOD. Could I comment on one other thing?

Senator PELL. Certainly.

Mr. HOOD. On behalf of all the member institutions of NASFAA, we certainly encourage some simplification of the form; however, the recent efforts to simplify the approach didn't work quite like they thought they might. But we'd like to certainly encourage that.

Senator PELL. Thank you very much indeed.

Father Whalen.

Rev. WHALEN. Senator, I would just like to tell you before I leave that we have a one-page form.

Senator PELL. Good. We'll have a copy of that inserted in the record, without objection.

[The document mentioned above and additional materials submitted for the record follows:]

CONSERN LOANS FOR EDUCATION

Application & Promissory Note

Need Help? Call a Loan Counselor at 1-809-SOS-LOAN

Send Completed Application and Attachments to: ConSern Loans Processing Center, P.O. Box 4201, Iowa City, IA 52244

A. STUDENT INFORMATION — **SCHOOL INFORMATION**

B. APPLICANT INFORMATION — The Applicant and Joint Applicant (if applicable) are to be determined if Parent, Legal Guardian, Relative, Friend, or Employer, reviewed solely on the income and credit information of the Applicant and Joint Applicant (if applicable).

APPLICANT — **JOINT APPLICANT** (Optional)

C. INCOME & ASSETS — All income must be verified or be considered. If self-employed, enclose a signed copy of the most recent tax return or filed.

D. CREDIT INFORMATION — To be completed by Applicant and Joint Applicant, all of which refers to assets of $1,000 each or more and both credit cards, real estate, checking, and other accounts. To list other creditors/debts not on this form, attach a separate sheet.

DESCRIPTION	CREDITOR	ACCOUNT #		
1. Are you a — Homeowner / Renter	Mortgage or Landlord	Mortgage Loan #	$	$
2.			$	$
3.			$	$
4.			$	$
5.			$	$
6.			$	$
7.			$	$
8.			$	$

E. LOAN AMOUNT — The Loan Origination Fee will be added to the loan amount, not to exceed the $10,000 loan maximum. (See Promissory Note)

F. SIGNATURES

Everything disclosed on this form is true and correct to the best of my knowledge. I authorize the Lender or its agents to check my credit and employment history. I authorize the release of this application and any attachments to the agent of the Lender or any subsequent holder. The proceeds of any loan made as a result of this application will be used for educational purposes at the school listed above. I understand that the Lender may make the check payable to the Borrower and the institution.

For value received, each of the undersigned jointly and severally, if more than one, promises to pay all the amounts due on this note, the terms of which are contained on the front and reverse side of this Application and Promissory Note. This Promissory Note is under seal.

Student (Must be of legal age) — Date — Applicant — Date — Joint Applicant — Date

NOTICE TO COSIGNERS

You are being asked to guarantee this debt. Think carefully before you do. If the borrower does not pay the debt, you will have to. Be sure you can afford to pay if you have to, and that you want to accept this responsibility. You may have to pay up to the full amount of the debt if the borrower does not pay. You may also have to pay late fees or collection costs, which increase this amount.

The Lender can collect this debt from you without first trying to collect from the borrower. The Lender can use the same collection methods against you that can be used against the borrower, such as suing you, garnisheeing your wages, etc. If this debt is ever in default, that fact may become part of your credit record. This notice is not the contract that makes you liable for the debt.

CONSERN: LOANS FOR EDUCATION

The ConSern: Loans For Education Program was designed to enable creditworthy individuals to finance the costs of education. The program is ideal for those who may not qualify for need-based financial aid, but who still require loan funds to fill the gap between education expenses and their available resources.

PLEASE READ THESE INSTRUCTIONS CAREFULLY PRIOR TO COMPLETING THE APPLICATION.

1 GENERAL INFORMATION

1. **The person listed as Applicant** must be the person upon whose income, credit, and employment history the loan decision will be based. The applicant can be either the student, student's parents, or some other person who will promise to repay the loan. If the applicant resides with another person whose income, credit, and employment history will enhance the loan application, that person can be listed as joint applicant. Both the applicant and joint applicant must meet the following eligibility requirements:

The combined gross income of the applicant and joint applicant must be at least $15,000;

Must be currently employed, unless retired or financially independent, and have been employed at least 12 consecutive months with your current or previous employer;

Must be residing in the U.S. and be a citizen or permanent resident alien of the U.S.

Must be at least 18 years of age at the time of application (19 years of age if residing in Alabama, Nebraska, or Wyoming, 21 years of age if residing in Mississippi or Puerto Rico);

Must have a clear or positive credit history.

2. The student for whom the loan proceeds are intended must be accepted for enrollment or currently enrolled full-time or part-time (as defined by the school) in an accredited, degree granting college or university, or private secondary school (grades 9-12). Loans may also be used at certain approved proprietary schools. Be sure to enter the full name of the school (do not abbreviate) in Section A: Student Information.

3. When completing the application form use only whole numbers (no fractions), check one box only when applicable, and the parties to the loan should use their full legal names. If you have any questions while filling out the application form please call (800) SOS-LOAN for assistance. Incomplete applications will not be processed.

2 FILLING OUT THE APPLICATION FORM

1. **SECTION A: STUDENT INFORMATION** In this section of the application you provide information about the student for whom the loan proceeds are intended.

One of the attractive features of the ConSern Program is the opportunity it provides for a student to begin establishing a positive credit history by being listed as the "Borrower of Record" for the loan, even if the student is depending upon a different person to be the applicant and joint applicant (if applicable) to meet the eligibility requirements. You may select this option by checking the appropriate box in Section A: Student Information.

Remember, not all schools are approved to use the ConSern Program. If you have a question concerning the school's eligibility, as described above, call 800-SOS-LOAN.

2. **SECTION B: APPLICANT INFORMATION** In this section of the application you provide general information on the applicant and joint applicant (if applicable). Be sure to review the eligibility requirements for an applicant that are listed under the General Information section of the instructions. If you have any questions about the eligibility requirements, call (800) SOS-LOAN.

3. **SECTION C: INCOME AND ASSETS** In this section of the application you provide specific information about the amount and type of income of the applicant and joint applicant. (If applicable.) Remember, there must be at least $15,000 in annual income from all sources for a loan to be considered.

All income that you wish to be considered in the evaluation of the loan request must be verifiable. Acceptable income verification, which must be submitted with the application, includes a copy of current pay stub; most recent W-2 form; most recent signed Federal Tax Form 1040 as filed (with all supporting schedules); letter from employer; Social Security benefits statement; VA statement of disability/retirement income; proof of disability benefits; and most recent 1099 form.

If the applicant and/or joint applicant (if applicable) is self-employed, a copy of the most recent signed Federal tax return, including Schedule C, must be submitted with the application.

To determine the exact verification requirements for other types of income, call (800) SOS-LOAN.

4. **SECTION D: CREDIT INFORMATION** In this section of the application, you provide information on the obligations of the applicant and joint applicant (if applicable). You must list all obligations that have a balance of $100 or more, including: store and bank credit cards; bank, credit union and finance company loans; mortgage(s); automobile loans; alimony; and child support.

5. **SECTION E: LOAN AMOUNT** In this section of the application, you provide the amount you would like to borrow, how you would like to repay the loan, and where you want to receive the loan funds.

Any approved loan amount is based upon both an evaluation of the applicant's and joint applicant's, (if applicable), ability to repay the loan as well as the published costs of attendance at the student's school. In order to avoid any discrepancy between the published costs of attendance and your actual expenses, you must submit documents that support your loan request. These documents can include: a letter from the school; tuition receipt or bill for the current or upcoming school year; signed lease; computer receipt or invoice; page from the school catalog; and tuition bills for amounts outstanding for previous school year.

The ConSern Program offers two repayment options to help you budget for the loan repayment.

Immediate Principal Repayment - repayment of principal and interest begins immediately with the first payment due within 45 days of the disbursement of your loan.

Deferred Principal Repayment - repayment of principal does not begin until the student leaves school, for a period not to exceed four years. During this period monthly interest payments must be made. The option to defer principal payments is not available to students enrolled at private secondary schools.

3 SUBMITTING THE APPLICATION

Please review this section carefully before sending us your application. Incomplete applications may be delayed or rejected.

Now that you have filled out the application, take a few minutes to look it over and make sure that all questions have been answered completely and legibly and that the application has been signed by the appropriate parties. A complete application packet should contain:

1. The completed and *signed* application form;
2. The $45 application fee payable to ConSern: Loans for Education;
3. Income verification document(s);
4. Cost of attendance document(s);
5. Proof of current enrollment/acceptance (copy of student I.D., letter from school, billing statement). If proof of current enrollment/acceptance is enclosed the loan proceeds will be mailed and made payable to the borrower. Otherwise, the loan check will be copayable to the borrower and the school.

HIGHLIGHTS AND FACTS

HOW MUCH CAN YOU BORROW?

1. You may borrow from $1,500 to $25,000 within a twelve month period. A maximum of $100,000 may be borrowed by an individual borrower.

2. Loans are made for the costs of attending school including: tuition, fees, room and board, transportation, books, personal expenses, supplies, a personal computer, and other related expenses. See Section E "Loan Amount" for further details. Complete a separate application when applying for more than one student or more than one school year.

3. If the borrower does not qualify for the full amount requested based on the credit review and/or cost of attendance, a counter-offer may be made for a lesser amount.

WHAT ARE THE COSTS OF BORROWING?

1. **Interest Rate.** Loans bear a variable interest rate based on the Commercial Paper Rate plus 3.6%. The Commercial Paper Rate used is the average of the higher of the 30 or 90 day per annum rate, as reported during the preceding monthly period in *The Wall Street Journal*. Any changes in the interest rate charged on the loan will take effect monthly and will be shown on your monthly bill.

2. **Loan Origination Fee.** A Loan Origination Fee of 3.5% will be automatically added to your approved amount. For example, if you are approved for a $7,000 loan, 3.5% or $245 will be added and the total financed loan amount will be $7,245. The Loan Origination Fee will be deducted from the loan amount, so you will receive a check for $7,000.

3. **Application Fee.** You must submit a non-refundable application fee of $45 with the application.

REPAYMENT?

The repayment of your ConSern loan is spread over 15 years, but you may repay the loan in part or in full at any time without a prepayment penalty. Monthly repayment begins approximately 45 days after the check disbursement date. The borrower will receive a monthly statement indicating the amount currently due which is calculated by adding (1) the amount of the principal due, based on whether or not you have elected to defer principal repayment, and (2) the amount of accrued interest on the outstanding principal balance based on the current interest rate.

Send the application packet to:

ConSern Loans Processing Center
P.O. Box 4201
Iowa City, IA 52244

For Questions concerning the application process, call 800-SOS-LOAN

Thank you for applying!

PROMISSORY NOTE

1. **Promise to Pay:** For value received, the student and each applicant (referred to as I, me, my and borrower) who signed this application and promissory note (the Note), jointly and severally agree to pay to the order of Norwest Bank South Dakota, N.A., or any subsequent holder of the Note(the Lender) a Principal Sum which is equal to the amount borrowed as stated on the front of this Note, or any lesser amount approved by the Lender, to pay interest thereon as set forth below in the section entitled Interest, to pay the Loan Origination Fees as set forth in the section below and to pay all late charges, reasonable attorney's fees, and other costs and charges necessary for the collection of any amount not paid when due. Payments on the Note will be made on behalf of the Lender as requested by the Lender. If not sooner paid, the entire outstanding principal balance, accrued interest, fees and costs, if any, will be due and payable in full 179 months from the first monthly due date , as described in section 6 below.

2. **Interest:** Interest accrues on the outstanding principal balance of the Note beginning on the date of the loan disbursement check and ends on the day prior to the date this Note is paid in full. Such interest shall be payable each month and shall accrue on a daily basis at a variable per annum rate (calculated on the basis of a year of 365 or 366 days, as appropriate, for the actual number of days elapsed) equal to the Commercial Paper Rate, as defined below, plus 3.6 percentage points per annum. The interest rate charged on this Note may increase if the Commercial Paper Rate increases. The interest rate charged on this Note may also be increased at the Lender's or its Assignee's discretion if increases occur in the costs associated with the administration of the ConSorn student loan program under which this loan is made. However, the interest rate charged on this Note will not increase no more than 3.1 percentage points per annum above the Commercial Paper Rate. The Lender, or its Assignee, will notify me of any increased rate resulting from such increased costs at least 30 days prior to the effective date of the increased rate due to such increased costs.

The Commercial Paper Rate shall be calculated by taking the average of the higher of the 30-day or 90-day per annum rate on commercial paper as reported during the preceding monthly period in *The Wall Street Journal* on each day that *The Wall Street Journal* publishes per annum Commercial Paper Rates for 30-day or 90-day high grade unsecured notes sold through dealers by major corporations in multiples of $1,000. Any change in the interest rate charged on this Note will take effect on the fifth business day of each calendar month and will remain in effect until further changed.

In the event that the reporting of the Commercial Paper Rate is discontinued or substantially altered, the Lender or its Assignee, may, at its option, choose another reasonable comparable index. If this happens, the substitute index will be considered to be the Commercial Paper Rate under this Note. However, it may be necessary to further adjust the number of percentage points above the substituted index in determining the interest rate to be charged on the Note.

In no event will the interest rate charged exceed the maximum interest rate that the Lender, as a national bank located in the State of South Dakota, may charge.

3. **Loan Origination Fee:** The fee equals three and one-half percent (3.5%) of the Principal Sum of the Note and is assessed only once. The Principal Sum of the Note equals the amount of the loan disbursement check plus the Loan Origination Fee. No refund of any portion of the Loan Origination Fee will be made.

4. **Late Charge:** If the Promissory Note is not paid in accordance with its terms, the Holder hereof, if permitted by law, may, at its option, charge and I will pays late charge for each payment delinquent for a period of more than 15 days the greater of (a) 5% of each delinquent payment; or (b) $5.00 with respect to each delinquent payment.

5. **Deferment of Principal Repayment:** Repayment of principal on this Note may be deferred for a period not to exceed four years from the Loan Disbursement Date as long as the Student on whose behalf the loan is made remains enrolled in a qualified educational institution (available for post-secondary schools only). The amount of principal due each month during any such deferment period will be zero. However, interest will accrue and be payable monthly during any such deferment period. After the deferment period expires, the amount of principal due each month will be calculated by dividing the then outstanding principal balance by the number of months remaining (determined by subtracting the number of months that have elapsed since the loan disbursement date from 179).

If no election is made on the application or the student is enrolled in a secondary (high school) educational institution, deferment of principal repayment will not apply.

6. **Repayment:** I will repay the Note in monthly installments over a 15 year period from the Loan Disbursement Date. The first monthly installment will include interest accruing on the Principal Sum from the Loan Disbursement Date and is due within 45 days but not less than 30 days following the Loan Disbursement Date. Thereafter, monthly payments will be due on the same day of the month as the first payment was due. The amount of each monthly installment due will be the amount of principal plus the amount of interest estimated to be due on the payment due date based on the then current rate of interest on the Note.

I may, at my option and without penalty, prepay all or any part of the principal or accrued interest of this Note at any time. Any prepayment will not affect the necessity to make the monthly installment payments unless the prepayment results in the payment of all amounts owing on this Note including late charges, costs and expenses of collection, accrued interest to the date of prepayment and outstanding principal.

Payments received will be allocated in the following order: (1) to late charges and expenses of the Lender in connection with collecting any past due amounts, (2) to accrued interest, and (3) to outstanding principal.

7. **Default:** If I default on this loan, the Lender may declare, without notice or demand, the entire unpaid amount of the loan, including interest and all costs of collection and reasonable attorneys fees, immediately due and payable. "Default" means the occurrence of any of the following events:

A. A scheduled payment is not made within 30 days of the payment due date.

B. I make an assignment for the benefit of creditors, have voluntary or involuntary bankruptcy proceedings instituted by or against me, am adjudicated incompetent, or die.

C. Any statement or representation on the application for the loan evidenced by this Note is materially untrue, incorrect, or incomplete.

D. I fail to perform any agreement contained in this Note.

E. Failure to promptly (within 30 days) notify the Lender in writing of any change of my name or address and the transfer, withdrawal or graduation of the student.

Failure to receive a monthly statement does not relieve me of the responsibility and obligation of making the required loan payments in accordance with the terms and conditions of this Note. Acceptance of any payment, in whole or in part, of amounts in arrears will not waive or affect any prior acceleration of the Note.

The Lender may delay or fail to exercise or waive any of its rights on any occasion without losing its entitlement to exercise the right at any future occasion. I waive presentment, demand, notice, protest and any other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of the Note except as specifically provided herein with respect to notices of non monetary default, if any.

If I am in default, I agree to pay all expenses including reasonable attorneys fees which the Lender may incur in effecting collection of this Note.

8. **Credit Bureau Notification:** Information concerning the amount of this loan and its repayment will be reported to one or more credit bureaus. If I default on this loan disclosure of information about my loan may significantly and adversely affect my ability to obtain other credit.

9. **Representations:** The proceeds of this Note will be used solely for tuition and other reasonable education expenses including, but not limited to room and board, fees, books, computers, supplies and equipment, laboratory expenses, transportation and commuting costs, and personal expenses of the Student.

My responsibility for paying this Note is unaffected by the liability of any other person to me or to the Lender for repayment of this Note or by the failure of the Lender to notify me that a required payment has not been made. The Lender may release any other person liable on this Note without affecting my obligations under this Note.

Should any of the provisions of this Note be rendered invalid, in whole or in part, by any change in applicable law or regulations, or declared invalid by order, decree or judgement of a court or governmental agency of competent jurisdiction, the remaining provisions of this Note shall not be affected thereby and this Note shall be construed as if such invalid provisions had not been inserted in this Note or as if the new law or regulations were incorporated therein.

No term or provision of this Note may be changed unless consented to in writing by all parties. I authorize the Lender, without further notice, to correct any patent errors herein.

I agree that any communication between the Lender and any borrower will be binding on all of the borrowers and that the provisions of this Note will apply to all borrowers individually and collectively.

The Lender has the right to assign its rights and duties under this Note without my consent. The terms and conditions contained herein apply to and bind the successors and assigns of the Lender. I may not assign this Note or any of its benefits or obligations, and the obligations of this Note will be binding on my estate.

This Note is being approved, made and delivered in South Dakota and shall be construed in accordance with and governed by the laws of South Dakota.

10. **Disbursement:** If insufficient proof of enrollment/acceptance of the student was evidenced, the loan disbursement check may be made copayable to the borrower and the school at which the student is enrolled/accepted. The loan disbursement check will be mailed to the borrower along with the disclosures required by the federal Truth-in-Lending law. Endorsement of the check acknowledges my receipt of these disclosures. My contractual obligation on the Note begins when the loan disbursement check is endorsed or otherwise cashed or deposited. If not endorsed or deposited within 90 days of the loan disbursement check date, the check will be canceled. If I do not wish to obtain this loan, I will not cash the loan disbursement check and will contact the Lender.

AHSSPPE

Association on Handicapped Student Service Programs in Postsecondary Education

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Alfred DeGraff, 1983-84
Catherine Johns, 1984-85
Richard Harris, 1985-86
Patricia Pierce, 1986-87
Warren King, 1987-88
Marguerite Fordyce, 1988-89

1991 Conference
July 24-27
Minneapolis, MN

1992 Conference
July 22-25
Long Beach, CA

1993 Conference
July 21-24
Baltimore, MD

Testimony Submitted to the
Subcommittee on Education, Arts and Humanities
Senate Labor and Human Resources Committee
March 21, 1991

The Association on Handicapped Student Service Programs in Postsecondary Education (AHSSPPE) is a multinational, not-for-profit organization that promotes full participation of individuals with disabilities in college life. Its members are the individuals who provide support services to students with disabilities at colleges and universities across the United States and Canada. The 1980's was a time of rapid growth for the association, just as it was a time of rapid progress for persons with disabilities in this country. Beginning with the International Year and Decade of the Disabled and culminating with the signing, last July, of the Americans with Disabilities Act, people with disabilities have made great strides in their fight to be acknowledged, to be recognized for their abilities, and to achieve the status of full citizens with all the rights and privileges that title conveys. One very visible outgrowth of that struggle has been the dramatic improvement in architectural and programmatic access to higher education for students with disabilities. Whether you are blind or a wheelchair-user, whether you have a learning disability or epilepsy, the opportunities to pursue your ambitions and maximize your potential have never been more accessible.

As you approach the reauthorization of the Higher Education Act, we urge you to remember that students with disabilities are now represented in significant numbers throughout our postsecondary network. It is estimated that more than 1,000,000 students with disabilities now attend classes, participate in campus activities, access institutional services, and prepare for entry into the world of work side-by-side with their nondisabled peers. When you begin deliberations for reauthorization, please remember that any considerations of financial aid policies, programmatic innovations, industry-education partnerships, and so on, should include a review of how these issues may impact on students with disabilities.

In signing the Americans with Disabilities Act, President Bush said, "...Now we must work together to remove the physical barriers we have created and the social barriers we have allowed." Part of that work includes seeing to it that consideration of the needs of persons with disabilities is a part of every decision that is made, not an afterthought. AHSSPPE stands ready to take an active role — to assist in evaluating the impact of the Higher Education Act on students with disabilities. We understand the monumental nature of your task in guarding the rights and meeting the needs of the many individuals who will be affected by this Act. Our sincere hope is that, in the end, your careful deliberation and concern will result in the reauthorization of the Higher Education Act serving as another step forward in the inclusion of persons with disabilities in the mainstream of American society.

Respectfully submitted,

Jane E. Jarrow, Ph.D.
Executive Director - AHSSPPE

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Senator PELL. The hearing is adjourned.

[Whereupon, at 12:00 o'clock p.m., the subcommittee was adjourned.]

REAUTHORIZATION OF THE HIGHER EDUCATION ACT

TUESDAY, MARCH 26, 1991

U.S. SENATE,
SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES, OF THE
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Montpelier, VT.

The subcommittee met, pursuant to notice, at 8:30 a.m., in the Pavilion Auditorium, Pavilion Building, Montpelier, VT, Senator James M. Jeffords, presiding.

Present: Senator Jeffords.

OPENING STATEMENT OF SENATOR JEFFORDS

Senator JEFFORDS. This morning I will call the hearing to order. I want to welcome all of the audience and the witnesses; those that are here and those that are to come. I appreciate each of your willingness to speak today of an issue of grave importance. I think it was even made more so today as I listened to the radio and recognized that Germany has overtaken the United States as the No. 1 exporter of the world. It makes it even more clear how important it is to do some things with respect to the basics such as education.

I will keep my remarks short because this hearing is to hear from Vermonters on your outlook and thoughts on the reauthorization of the Higher Education Act. It's my opportunity as one of the few senators on my side of the aisle who has been through a higher education reauthorization, I can tell you that I will be playing an active role throughout the year's reauthorization process.

Today I would like to offer you some personal and preliminary thoughts on the act. These thoughts are necessarily preliminary since we have held only initial hearings in Washington, and no formal bill has been introduced, and this is the first field hearing for the bill. However, there are some basic goals and principles that I believe should guide our reauthorization. One such goal will be enhancing post-secondary education opportunities to all Americans. We know that high-ability/low-income students are significantly less likely to continue their education beyond high school than low-ability/high-income students.

It is clear that we are not developing the human resources of our Nation to enable us to compete successfully in the world economy. It is equally clear that we are frustrating the aspirations of millions of our citizens since they lack the resources to continue their education beyond high school. Therefore, the overriding principle must be to emerge from this reauthorization with a more effective

manner in which to provide access to post-secondary education for those with the talent.

However, the targeted population of the student aid programs is frequently ill-informed about the availability of aid, the range of the post-secondary opportunities, and the appropriate high school programs that lead to post-secondary programs. Students and their families don't always know that they can and should aspire to post-secondary education or how to go about pursuing theirs in their aspirations.

Programs to target at-risk populations at an early age are essential, and I have introduced a bill that would be incorporated into this year's higher education reauthorization. My bill, S. 585, encourages comprehensive early intervention programs, programs that would provide disadvantaged students with the opportunities and support that they need not only to stay in school, but for them to go on to higher education.

As you may know, in the last reauthorization, I created a commission to study the future responsibilities of financing post-secondary education. I did so because I was concerned with what lay ahead for the next generation, the long-term strategy for financing a post-secondary education.

The commission, headed up by Peter Smith of Vermont, recently met for the first time. Marshal Whitten of Vermont also sits on the panel. And I believe the findings of the commission will prove instrumental to the future policy development for financing post-secondary education.

Another area of grave concern to me is the deteriorating state of our university and college infrastructures. A recent study indicates that facilities represent higher education's largest capital asset, an aggregate of over $300 billion.

They're a critical resource for the preservation and enhancement of American's educational enterprise, a resource at-risk. That same report identified that a total of between $60 and $70 billion are needed to renovate all campus facilities nationwide.

Despite this need, grants for construction, reconstruction, and renovation under Title VII of the Higher Education Act has never been funded. Loans under title VII have only received scant funding as with the National Science Foundation's Academic Research Facilities Modernization Act. This situation must change.

Finally, I feel strongly that as a member of the Labor and Human Resources Committee, it is my job to present the facts, not the funds. If, indeed, it is a fact that the facilities need $60 billion for upgrade, update, and construction, then that is what the committee needs to put forward in title VII. If we need to double the allocation to fully fund Pell grants, then that is what we need to put forth in title IV. If early intervention is a priority, it too must have an appropriate allocation.

That's where you come in. I need to hear from you on which programs need to be changed, and which changes can affect outcomes, and what level of funding is needed to produce these outcomes. Reauthorization occurs only every 5 years, and Vermont is a unique and well-qualified State to comment on higher education programs. So I look forward to listening to witnesses today.

[Text of S. 585 follows:]

102D CONGRESS
1ST SESSION

S. 585

To provide eligible students with a comprehensive program of incentives and support to enable students to remain in school.

IN THE SENATE OF THE UNITED STATES

MARCH 7 (legislative day, FEBRUARY 6), 1991

Mr. JEFFORDS introduced the following bill; which was read twice and referred to the Committee on Labor and Human Resources

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A BILL

To provide eligible students with a comprehensive program of incentives and support to enable students to remain in school.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. EARLY INTERVENTION PROGRAM.

Subpart 3 of part A of title IV of the Higher Education Act of 1965 (20 U.S.C. 1070c et seq.) is amended by adding at the end thereof the following new section:

"SEC. 415F. EARLY INTERVENTION PROGRAM.

"(a) FINDINGS AND PURPOSE.—

"(1) FINDINGS.—The Congress finds that at-risk students who do not receive some form of inter-

vention early in their educational careers (in most cases by junior high school) are more likely to drop out of school and not pursue gainful educational or employment opportunities as adults.

"(2) STATEMENT OF PURPOSE.—It is the purpose of this section to make incentive grants to States to enable States to conduct early intervention programs that--

"(A) raise the awareness of eligible students about the advantages of obtaining a post-secondary education; and

"(B) provide eligible students with tuition assistance.

"(b) EARLY INTERVENTION PROGRAM ESTABLISHED.—

"(1) PROGRAM ESTABLISHED.—From amounts appropriated pursuant to the authority of subsection (g), the Secretary shall make allotments to States in accordance with paragraph (2) to pay the Federal share of the costs of the activities described in subsection (d).

"(2) ALLOTMENT.—Except as provided in paragraph 3, for any fiscal year, the Secretary shall allot to each State an amount which bears the same ratio to such sums as the number of eligible students in

such State bears to the total number of eligible students in all the States.

"(3) MINIMUM ALLOTMENT.—No State shall receive an allotment under paragraph (2) in any fiscal year which is less than $500,000.

"(4) REALLOTMENT.—The amount of any State's allotment under paragraph (2) or (3) for any fiscal year which the Secretary determines will not be required for such fiscal year for the early intervention program of that State shall be available for reallotment from time to time, on such dates during such year as the Secretary may fix, to other States in proportion to the original allotments to such States under such paragraphs for such year, but with such proportionate amount for any of such States being reduced to the extent it exceeds the sum the Secretary estimates such State needs and will be able to use such year for carrying out the State plan. The total of such reductions shall be similarly reallotted among the States whose proportionate amounts were not so reduced. Any amount reallotted to a State under this paragraph during a year from funds appropriated pursuant to subsection (g) shall be deemed part of its allotment under such paragraphs for such year.

"(5) ALLOTMENT SUBJECT TO CONTINUING COMPLIANCE.—The Secretary shall make payments for early intervention programs only to States which continue to meet the requirements of subsection (c).

"(6) DEFINITIONS.—For the purpose of this section—

"(A) the term 'eligible institution' has the same meaning provided such term in section 435(a); and

"(B) the term 'eligible student' means a student eligible—

"(i) to be counted under section 1005(c) of the Elementary and Secondary Education Act of 1965;

"(ii) for assistance pursuant to the National School Lunch Act; or

"(iii) for assistance pursuant to part A of title IV of the Social Security Act (Aid to Families with Dependent Children).

"(c) USE OF ALLOTMENTS.—

"(1) IN GENERAL.—A State shall use payments received under this section to conduct an early intervention program that—

"(A) provides eligible students in any of the grades pre-school through 12 with a continuing system of mentoring and advising that—

"(i) is coordinated with the Federal and State community service initiatives;

"(ii) may include such support services as after school and summer tutoring, assistance in obtaining summer jobs, and academic counseling; and

"(iii) may be provided by service providers such as community based organizations, schools, eligible institutions, and public and private agencies, particularly institutions and agencies sponsoring programs authorized under subpart 4;

"(B) requires each student to enter into an agreement with the State under which the student agrees to achieve certain academic milestones, such as completing a prescribed set of courses and maintaining satisfactory academic progress as described in section 484(c), in exchange for receiving not more than 5 years of tuition assistance;

"(C) establishes a trust fund for the tuition assistance described in subparagraph (B) which may include contributions from Federal, State and private sources;

"(D) contains an incentive system to encourage greater collaboration between elementary and secondary schools and institutions of higher education through the creation of new linkage structures and programs; and

"(E) contains an evaluation component that allows service providers to track eligible student progress during the period such students are participating in the program assisted under this section and which is consistent with the standards developed by the Secretary pursuant to paragraph (3).

"(2) TUITION ASSISTANCE.—

"(A) DEFINITION.—For the purposes of this section the term 'tuition assistance' includes the costs of tuition, room and board, books, and required fees, if any.

"(B) ELIGIBLE INSTITUTIONS; PORTABILITY.—In order to receive an allotment under this section each State shall ensure that tuition assistance provided pursuant to the pro-

visions of paragraph (1)(B) is available to an eligible student for use at any eligible institution.

"(C) RESERVATION FOR TUITION ASSISTANCE.—Each State receiving an allotment under this section shall use not less than 50 percent of such allotment to provide eligible students with tuition assistance in accordance with the provisions of this section.

"(D) SPECIAL RULE.—Each eligible student participating for at least 1 year in an early intervention program assisted under this section shall be eligible to receive tuition assistance pursuant to this section.

"(E) RELATION TO OTHER ASSISTANCE.—Notwithstanding any other provision of law, tuition assistance provided under this section shall not be considered income for the purpose of awarding Federal student financial aid.

"(3) EVALUATION STANDARDS.—The Secretary shall prescribe standards for the evaluation described in paragraph (1)(E). Such standards shall—

"(A) provide for input from States and service providers; and

"(B) ensure that data protocols and procedures are consistent and uniform.

"(d) STATE PLAN.—

"(1) IN GENERAL.—Each State desiring an allotment under this section shall submit a State plan to the Secretary at such time, in such manner, and accompanied by such information as the Secretary may reasonably require.

"(2) CONTENTS.—Each State plan submitted pursuant to paragraph (1) shall—

"(A) describe the activities for which assistance under this section is sought; and

"(B) provide such additional assurances as the Secretary determines necessary to ensure compliance with the requirements of this section.

"(3) APPROVAL.—The Secretary shall approve a State plan submitted pursuant to paragraph (1) within 6 months of receipt of the plan unless the plan fails to comply with the provisions of this section.

"(e) PAYMENTS; FEDERAL SHARE.—

"(1) PAYMENTS.—The Secretary shall pay to each State having a State plan approved under sub-

section (d) the Federal share of the cost of the activities described in the State plan.

"(2) FEDERAL SHARE.—The Federal share shall be 50 percent.

"(f) EVALUATION AND REPORT.—

"(1) EVALUATION.—Each State receiving an allotment under this section shall annually evaluate the early intervention program assisted under this section in accordance with the standards described in subsection (e)(3) and shall submit to the Secretary a copy of such evaluation.

"(2) REPORT.—The Secretary shall annually report to the Congress on the activities assisted under this section and the evaluations conducted pursuant to paragraph (1).

"(g) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated $85,000,000 for fiscal year 1992 and each succeeding fiscal year thereafter to carry out the provisions of this section.".

SEC. 2. CONFORMING AMENDMENT.

Section 415A(a) of the Higher Education Act of 1965 (20 U.S.C. 1070c(a)) is amended by adding the following new sentence at the end thereof: "It is also the purpose of this part to make allotments to States to enable States to conduct early intervention programs described in section 415F.".

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Senator JEFFORDS. Our first witness is ready to begin so I ask Commissioner Mills, if you would, to please step up and we will listen to you. I'm an admirer of your programs and willingness to work hard to try and help Vermont and its education programs. We look forward to listening to you.

STATEMENT OF RICHARD MILLS, COMMISSIONER, VERMONT DEPARTMENT OF EDUCATION

Mr. MILLS. Thank you very much. I'm deeply gratified by this invitation to comment on the higher education reauthorization and I do have some comments because higher education is a vital part of what the State Board of Education is trying to do.

If you visit any Vermont school right now, you're going to see people working hard to do two jobs. One is to educate 100,000 youngsters, but another is to transform the way the school works at the same time. There's a massive effort going on to transform education, elementary and secondary education, for high performance. Why are we doing this?

We're doing this because—well, the hard truth is we're not getting the results that we deserve and that we are capable of.

If you listen to a person like me in any State, they're likely to be saying—outlining the same agenda. Get the goals right; smarten up the curriculum; bring the parents back in; boast the capacities of teachers; restructure the way we deliver technical education, special education, regular education; link what we do to the community; bring the human services element back in.

In all of this, Vermont has been very active. In all of this, higher education has been a partner. Vermont has a set of very aggressive goals. About 250 people helped put them together; among them, members of the higher education community. We have a set of performance targets. We're measuring our results against those performance targets.

We're trying out a new testing system into the student performance testing system that does not involve multiple guess, fill-in-the-blank approaches, but rather a review of a portfolio of the student's work that has been assembled over the years.

We have a college grant system that has been put in place. It's really an educational capital investment bag that puts money at-risk that is used to back school communities that want to reinvest themselves for high performance, and higher education is part of that.

We just started a huge effort to define the Vermont common core of learning: A set of statements about the knowledge, the skills, and the attitudes that we're going to expect from every single child in Vermont.

Now where does higher education come in on all of this. I've hinted at their partnership. We really need three things from our higher education partner and this act is an opportunity to help make sure that those things happen.

We need a partner, higher education partner that accepts the preparation of first-rate teachers as something that's at the heart of the Nation's colleges and universities. We need about 400 teachers a year.

The goals that the State board has developed with the public in Vermont doesn't say we need pretty good teachers. It says we need the best in the Nation and they're dead serious about that. We need teachers who are deeply educated in the liberal arts; we need teachers who are profoundly competent in writing and science. This is not an education dean's job. This is the president's job. This is the job of the president of education, the dean of arts and sciences.

It calls for a partner that's able to link pieces with part of the university, for example, the way you see it happening with George Davis, Howard Ball, and George Ducharme at UVM.

A second thing that we in elementary and secondary education need from a higher education partner is an expectation of competence. We need a higher education partner that expects competence on the part of incoming students and lets the students know that. Now this is stuff one needs because there's been a lot of very thoughtful talk over the years about access and openness and so on, and I certainly believe in that.

But if higher education is vital to us as we define a common core of learning every student should master, higher education also has to be there to back it up. They have to say this is what we expect you to know to do college work and don't expect to come here and do college work if you don't know that.

I really like the bill that you've introduced, S. 585, because it is an expression of that kind of thinking. It's an effort to reach deep into the early years of children's lives and say there's a real future for you. There's a future of competence and ability. College is something that you can do, but you're going to have to pass some milestones along the way. It calls for serious work. That's the message that higher education can help deliver.

And the third and final thing that I would cite that we need from the higher education partner is a lot of help in building the tools that we need to reinvent in schools for high performance. By tools, I mean—well, let me cite three just very briefly, three meetings that I attended very recently.

One was a gathering of almost half the high school principals in the State. They were getting together to write a statement of belief, a very short but very powerful statement that said, in effect, we believe that we must lead massive change in our communities. These are very committed people, very serious, very experienced people.

But as I listened to them, I could see growing a ferocious demand for knowledge that works. These people don't need restructuring one-on-one. They need a university, a higher education system behind them to help them as they try to transform their schools.

Second meeting was last Saturday. I visited a group of people who had gathered from all around the State in terrible weather, because they were brand new school directors, new school directors just elected. They wanted to do a good job and they were just confronting the complexity of what that requires. They needed to be backed up by knowledge that works. Higher education community can do it.

To cite just one other example, I went to a school report night in Cabot a couple of weeks ago and saw an extra-ordinary piece of

work that a group of students had done in mathematics. It seems there were two mathematics groups. The upper group had written a very difficult problem and had used it to challenge the lower group. It was a group problem. It was very difficult. The so-called lower group solved that problem and it fired it back to the upper group.

Having made it more complex, they sent it back to them as a counter-challenge. There's something very exciting going on in mathematics in that school, but, again, it's creating a huge demand for knowledge that works in a practical sense in higher education. That is their stock in trade.

It isn't hard to find that kind of example in education in Vermont. You're going to hear from them today, people like Bob Clark who's worked with us for almost 3 years on how we can create a work-oriented education system; people like Ed Ducharme, George Davis, and Paul Reiss, who's at St. Michael's College, delivered a customized training program to the entire school district in Cabot because they said we want to know what innovative teaching is all about. We don't need to go over to Burlington to hear this. They delivered; that's a partner. It's just that there isn't an awful lot in the reward structure of higher education that recognizes that type of education and that kind of partnership and leadership.

I would like to support anything in the act that provokes that kind of leadership and supports it in reworking it. And, again, that's why I admire what you're trying to do with S. 585 because I think it does provoke exactly the right type of leadership.

Senator JEFFORDS. I have a number of questions and matters I'd like to discuss with you. In my opening remarks, I talked about post-secondary education rather than higher education mainly because I want to try to emphasize the need for school training as well as the traditional college education which in many cases is skill training.

And I wonder what is now being done in the State to review and to look at the skill training, and vocational education areas. How important and necessary is it to have available post-secondary education in the skill area, and the coordination in that regard in order to again make sure that everyone has an opportunity to receive those skills? We also need to take a look and see whether the problem is that we need post-secondary, or that the problem is that we need to take a move and a better look at what we're doing in secondary education. I wonder if you can comment on that?

Mr. MILLS. There's been about a 2½ year effort to create what we call a work-oriented system of education. The partners gathered back in 1988 to write something called—what was a report on the commission. Let's see, we called it, "Getting Ready To Work." Project 2000 was the name of the report.

We began by setting aside the system that we have and say: What's the economy going to be like here in Vermont?

What are the skills going to be that will be necessary to thrive in that economy? What's the educational system going to have to look like to deliver that?

We laid out a structure of changes that were just in vocational and technical education, but were in elementary and secondary as well. It called for the creation of goals, a needs assessment system,

it called for a system that would deliver students truly able and competent to do technical work at a secondary level and at a post-secondary level.

We're now wrestling with authority of all the problems which is the government who's in charge. It's the toughest end of the problem to pick up. We believe that we need to—when I say we, all of the partners who worked on this believe that we need to rationalize this very complex government system that has no common standards, no common goals, no fixed responsibilities. And I'm talking about the work-oriented system, the vocational and technical education.

We're thinking about a regional system that puts real power in the region of a secondary level and a much stronger statewide board at a post-secondary level. So far, we really have just Vermont Technical College. They have done a superb job, and that's just one college, and the need is enormous.

I think in making these kinds of changes takes time. I think there's an explosive feeling. We're ready. In fact, our last report is called, "Let's Get To Work." We have said 1994-95, we'd have the government in place. I feel we're being crowded, and people are going to say we can do it faster than that, and I'm ready to believe them.

Senator JEFFORDS. I'm pleased to hear that. I think it's critical to get involved in these kinds of problems and try to solve them.

You mentioned, which I think is an excellent thought, that we must make sure that we get the best teachers. What is being done in the State, and how are you coordinating the higher education here to find the answer to how, one, we motivate young people to get into the teaching profession and how do we ensure that we're getting the best teachers?

Mr. MILLS. That is almost a hearing in itself. Let me be very brief. All the presidents—this is something remarkable—all of the presidents of all the institutions in the State of Vermont signed a compact with the State board and with the Professional Standards Board to invent what we called a result-oriented program.

And the offering on the table is that presidents together will develop an alternative where a graduate can show competence, rather than having gone through the hoops, and that would be the basis of improving the institution. I think they are going to make it.

Some other things happened. A professional standards board has been created. It has a teacher majority. Their task is to find the standard to define what a teacher should know and be able to do. No one wants to join an outfit that anybody can get into. And one way of recruiting talent is to say that what we want is the best, and I think that's a powerful way of doing it.

Just one other I alluded to briefly. The entire university, the entire college has to project itself as an institution that prepares great teachers. And it was a small thing. I don't think people realize the importance of it.

There was a State Board meeting not too long ago and the Dean of the Arts—the Faculty of the Arts and Sciences and the Dean of Education together went and spoke. I was shocked. That doesn't happen that kind of collaboration and it was genuine. I followed it

up and I've talked with Dean Ball and Dean Ducharme repeatedly. There's a coming together there, a joining of strength that has to be felt by people who are trying to make a choice of career.

Senator JEFFORDS. What is Vermont doing in the area similar to our Early Intervention program? Do we have counselors that try to reach out at earlier ages to let people know that there are opportunities out there if they come from economically disadvantaged families?

Mr. MILLS. Vermont has an extensive early education program. It probably reaches about a third of the people who are eligible. I don't think there's anything of the scope that you proposed in S. 585 and that's why I think it's so important.

The message that you are sending with that bill is that there's a future for you even if you don't have the money. And it's not just college in the traditional sense; it's post-secondary education. But there's certain milestones that you have to reach. That's so crucial. It's not a free ride. The message that we have to give is that there's opportunity and it's going to be your opportunity because you have a chance to work for it.

Senator JEFFORDS. What is happening in Vermont in the area of promoting and bringing forth innovative methods, demonstration projects, if necessary?

Mr. MILLS. I mentioned the example that I saw from St. Michael's College. I think there's a lot of that that's going on. There's an editorial, a story really, in the *Free Press* today which I think tells one of our best stories.

A math teacher, Rachel McNeilly, one of the most gifted mathematics teachers I've ever seen. I sat in on a class of, I guess it was, second graders. She was teaching them transformational geometry. I've never encountered that in grade school. She never told the kids that they couldn't do it. She just started teaching it and the kids were getting it.

She happens to be relatively well-known because she travels around a lot. I travel and I see a lot of teachers who are not as well-known but who are as gifted. I think, once again, here's a partnership, a heritage education partnership.

Our students' assessments in writing and mathematics, we're going to get the results in June. I think the writing, in particular, the writing results are going to be shockingly good. And when people look at that, they're going to say, where did our children learn to write like that.

When we're digging into it, we're going to realize that higher education has made a significant investment in what we call process writing over the past few years. It was a huge investment. Vermont's portfolio system is possible because that investment was quietly made sometime ago.

We may find that we are not doing quite so well in mathematics and, if that's the case, I'm going to say how much are we spending on the preparation of teachers in science.

One of the additional goals is that the United States will be No. 1 in the world. We haven't got a prayer of reaching it. Vermont has a prayer of reaching it because it's a small State, at least. Let's talk about the summer of 1992, which could deliver a huge profes-

sional development program and turn around our capacities to teach mathematics and science.

Senator JEFFORDS. Great. I'm pleased to hear that. Would you give me an indication of the status of what is going on in Vermont regarding the utilization of computers? Innovative procedures can come about with computers. Where do you stand in that regard, and what are your needs?

Mr. MILLS. I think in one sense we trail the Nation in the use of computers. There is a glowing bright spot though in a group of teachers and professors from higher education. It's called the Vermont Educational Technology Council. And for a long time, they have been trying to think how do we get a program going in educational technology.

They hit on something that I think is very exciting. They took the four Vermont goals and they said educational technology is a way to get there fast, and they laid it out, the specifics. These are not casual people. They are teachers, professors, people who are doing it, and they have attracted the interest of some of our business partners. And you have—so you have school people, higher education, and high tech business.

There's something else that exists in Vermont that is going to allow us to jump ahead: The fiber optic network that we have. The fact that we have a recession, we simply can't do things the way we used to do. I think all of these things are going to conspire to create a dramatic increase in the use of technology. I see it in my office. We'll have an internal network by September simply because we can't afford to do it any other way.

Senator JEFFORDS. I've been impressed over the years, especially in the area of computers. I've been amazed with the results that it can have. I also understand the huge barrier that could exist. Teachers are not being exposed to the computer technology. What do we do in the State to help teachers understand and better utilize the computer technology?

Mr. MILLS. Well, we need to give them a reason as well as the means. I find that—there was in dealing with my budget, I found that there was a Xerox machine that had produced a million copies last year. We simply can't afford that nonsense anymore. Why the million copies? It seems that a lot of it was going to send publications to teachers, the big thick documents on reading and teaching, another one on mathematics. A lot of it was waste. They would read one article on it and throw the rest away.

Our plan now is to set up 800-numbers and to deliver this kind of training material through an electronic means. It creates an immediate incentive for people who become computer literate. We have surveyed the schools to find out how many have this access. So you have to create a need.

I think that the willingness and the eagerness is there. When there's an event like Apple Feast where vendors get together and the equipment is there, it's always oversold. You've got to get there early. It's packed.

In some ways, I feel badly that we haven't moved with educational technology. In another sense, I feel that we lucked out because we have it just like with our assessments. Most States are trying to

dump an old style assessment. Like Vermont is doing, we didn't have one. We've had to invent one on the cutting edge.

Same thing is true in technology. Instead of dealing with millions of dollars in badly invested technologies, we have the fiber optic system; we have a much better understanding of what the technology is for; we have active local educators. Sparks are going to hit and very fast.

Senator JEFFORDS. My final question and, I thank you for taking time out of your busy day. I know we're pleased to accommodate you this morning.

Television-type classrooms, which you're experimenting with which I have seen and watched the young people participate in and I was very impressed with that. What was the status of that, and how do you feel it has worked, and what could we do to take more full advantage of its possibilities?

Mr. MILLS. I've use it several times. I find it exciting. I find it surprising that relatively few people use it. I think we need to market it more. The Vermont—the Interactive TV, they're working very hard to market it. They're doing something the next couple of weeks. Con Hogan, the Secretary of the Agency of Human Services, and I are going to be on television together through Interactive TV talking to people about the state of the State. In doing that, we're dramatizing our point and also saying you don't have to travel clear across the State to pound on us. We can go to the Interactive Television Network and we'll get the message.

The teacher I talked about, Rachel McNeilly, about the transformation geometry, that was done over Interactive TV. I remember how exciting it was. I also remember there weren't enough people in the remote sites watching it. We need to be there and doing it. You need to be using it. I need to be using it. Our colleagues need to be using it. It's going to be educational technology is the system—is a set of strategies that will make it possible for a very high level of mathematics, very high level of the science to be obtained in very small schools.

Senator JEFFORDS. I am excited about it also. Thank you very much for being here this morning. I deeply appreciate it and look forward to talking about it again.

Mr. MILLS. Thank you very much, Senator.

[The article from the Free Press follows:]

The Burlington Free Press

Living

READING WILD THINGS: Sally Hart reads with her 4-year-old son Brian in Morristown Centennial Library. Blasting the Blue Press, Mon. March, 1987

Single mom likes reading project

By Maggie Haughton
Free Press Staff Writer

MORRISVILLE — Sally Hart, 31, remembers how unhappy she was in school.

"When the teacher turned her back, I couldn't hear her. I was deaf in my left ear," she said. "Today I talk funny. I didn't have speech therapy like my son. He's doing good in school."

Years later, after she was married, her son, Brian, was born. When her husband left, she worried about what she would do with her life. She wanted to get off welfare.

One day she was walking along North Main Street in Hardy and saw a poster in a store window — "Adult Basic Education," it said. The next thing she knew she was climbing the stairs to the office above City Hall.

"What do I have to do?" she asked.

She started in a program of writing and communication. When she moved to Morrisville, she was happy to find the Adult Basic Education office was not far from her apartment.

Deirdre Chabot, Sally's teacher for the past four years, remembers the first time she saw her.

"I think she's a person who's always been eager to learn but was shafted in regular public schools. They weren't able to deal with her problems. Nobody took the time with her," Chabot said.

A tall woman with her hair pulled back, Hart has a friendly way about her. That day, her clear blue eyes were troubled.

"I had a learning problem when I was a kid. I never got anything out of special ed. They confused me," she said recently at the Morristown Centennial Library.

She found Adult Basic Education was different. "Teachers there take time with you. They help. We work together as a team," she said.

"I wanted to study math so I could help Brian when he needed it. I enjoyed it," she said. "I worked on math, then writing."

Recently Hart began taking a health career course at Lamoille Union High School, successfully keeping over other hurdles being in school with students much younger than she is, and confronting medical words she couldn't pronounce.

"She came in three or four nights and asked for the medical dictionary," said Nancy Dronsen, director of Morristown's library.

Next month she'll be part of the Family Reading Project. Reading for pleasure is something she's rarely done.

She reads to Brian now and then but it's hard to get him to listen, or sit still, because he's hyperactive.

Like other parents of hyperactive children, she struggles. Taking care of him is a chore and a challenge.

She's not resigned to it (no parent is resigned to a hyperactive child), but she's had help from two teachers. And help from the library.

There are more places than mirrors in her life.

Brian's doing fine in school, she said.

To find out if your community library is participating in the Family Reading Project, call the Vermont Center on the Humanities, 863-5281. Participants receive a free set of books for discussion and at most sites free child care will be provided.

Reading hints

Nearly all children love to be read to. Don't worry if you think you're not a good reader yourself. Books for little children aren't difficult. If you enjoy books, your children will, too. And they'll appreciate the chance to have you to themselves for a few minutes.

Here are some suggestions from "Give the Gift of Reading," published by the Vermont Council on the Humanities for the Family Reading Project.

If your child is under 3 ...

- Take him or her on your lap and open the book to a pretty picture.
- Turn the pages slowly, saying the names of a few of the objects pictured.
- Look for board books and cloth books for babies.
- Keep the book-sharing sessions short.

For toddlers and pre-schoolers ...

- Try having a regular story time.
- Keep your reading session about 15 minutes long.
- Let your child choose a book sometimes.
- Make your reading lively by changing your voice for different parts. A deep growl voice for Papa Bear, a medium voice for Mama Bear, and a high squeaky voice for Baby Bear will delight your child when you're reading "Goldilocks and the Three Bears."
- Invite your listeners to join in by guessing what's going to happen on the next page.

YOUR FAVORITE

books

Adults recall childhood books fondly

By Maggie Maurice
Free Press Staff Writer

Children's books are a popular topic as editors at The Burlington Free Press found out when they asked readers to send in their favorite books from childhood.

Almost 70 letters and postcards, many of them written at considerable length, came in from all over the state.

"Thank you so much for asking about favorite childhood books," wrote Leona J. Lansing.

"The books I remember most vividly are Kenneth Graham's 'Wind in the Willows' and Thornton Burgess' 'Mother West Wind Stories.' Those were about animals who talked and suffered many of the trials and tribulations that humans did."

Victoria Powers of Charlotte said her father was one of the great storybook readers. "Now he's reading to his grandchildren and helping to bring up another generation of consummate readers," she wrote. "Some of my all-time favorites are 'The Lion, the Witch and the Wardrobe,' all the Narnia series, and the Dr. Doolittle books."

The first installment of letters appeared in Sunday's Living section.

Here's a further sampling of Vermonters' favorites:

ON TUESDAY: A Plainfield woman has developed a cookbook to help those with reading difficulties improved their nutrition and reading skills.

Mrs. Rufus Dawson, Lyndonville: My grandson Sean is 7 years old. His favorite book is "Jack and the Bean Stalk." We read it quite often. Soon Sean will be reading it to me.

Laurel Bessette, Colchester: My favorite book as a child was "The Easter Pony." I first read it at Burnham Memorial Library in Colchester about 30 years ago. It tells a story of an orphaned pony raised inside its owner's house. The real photographs that went along with the story thrilled me then and now.

Joan Clark, Milton: These books were my children's favorites: "The Box Car Children," "Heidi," "Five Little Peppers," Poems: "The Raggedy Man," "Little Orphan Annie"; and Robert Louis Stevenson's "I Have a Little Shadow," "The Swing" and "Toy Soldiers." Am not sure of titles, but remember them very well. I am 59 so it goes back a little!

Susan Roland, Burlington: My favorite books to read to children are Dr. Seuss' books and "Harold and the Purple Crayon"; any book by Tomie dePaola; "Willy Wonka and the Chocolate Factory" by Robert Dahl. The first time I read Willy Wonka I was student teaching a second grade class. My students were on the edge of their seats with their eyes getting bigger and bigger as the suspense of who would get the golden tickets mounted. They giggled during the plight of the four selfish children on Wonka's factory tour. They were happy for Charlie's good fortune in the end.

John Brochard, Montpelier: "The Little House" takes the reader on a sojourn from peaceful countryside to urban decay and back again. ... Most of my classmates figured that the little house lived happily ever after, but I knew better. I went right back to Page 1 and put the little house through the whole ordeal again and again! "The Little House" is especially poignant today as the perfect metaphor for our very own state.

M. Gail Bryck, Stowe: "The Boxcar Children" was a story of a family of orphaned children who lived in an abandoned railroad car. I have tried to find it in bookstores but to no avail. ... In 1948 we lived in a small house with my step(father)'s parents in Utica, N.Y., only three houses away from a branch of the city library, which was located in the firehouse. I remember how hard it was to decide on just three books at a time.

Suzanne Crowe, Essex: At the age of 37, I still have a clear recollection of those books I enjoyed so much as a child.

Turn to ADULTS, 8B

Adults recall books of childhood fondly

From page 6B

"Harold and His Purple Crayon," "Curious George," "Madeline," "Babar," "Rumbus the Pup," "Mrs. Piggle Wiggle's Magic," "The Arm of the Starfish" and "A Child's Garden of Verses."

Barbara Flint, 37, Colchester: One of my favorites was "Bread and Jam for Frances." My husband (Samuel Flint, 39) remembers a pair of books which bring back chuckles: "The Grasps and How to Be Like Them" and "The Grosps and How Not to Be Like Them." A friend of ours (Gail Morrill, 30) enjoyed "The Chronicles of Narnia."

Kimberly A. Austin, St. Albans: I am 21 years old and have no children of my own. But do have fond memories of books that were read to me by my mother. One of my many favorites was "Bedtime Peter," by Dorothy Rice, the story of a little goat that lives on a farm at the top of a hill who loves to drink soda pop. One day the soda pop cart is rolling fast down the hill and little goat uses his horns to stop it. ...

E.S.P., Newport: My children continue to ask for "The Little Engine that Could" and then, "Make Way for Ducklings," "Are You My Mother" and "Cat in the Hat" by Dr. Seuss. ...

Louise Kinsey, Barton: My mother read a lot of books to us, a chapter or so each night, so we had to leave books which might have been hard to read on our own. "Little Women," "Little Men," "Rose Briar," "Anne of Green Gables," "Rebecca of Sunnybrook Farm," "Pollyanna," "Black Beauty" and Bible stories. ... We were lucky that the John Woodruff Simpson Memorial Library of East Craftsbury opened for an hour and a half after church so we could — and can — get books to read Sunday afternoon, as well as take the week.

Helen Bates, Cornwall: Many children's books which have been favorites in our family come to mind: "Winnie the Pooh" (not the Disney version), "Charlotte's Web," etc. But an all-time prize winner for 4-year-olds, parents and grandparents is Russian Goldilocks' "The Story of Baldy and Ivy."

Anne Closson, Bristol: Two favorites, the cemetery and the snowstorm, spring forward to answer your question.

The first would be a Golden Book titled "Dusk and Peanuts." The hero was a non-conformist rabbit who went rolling with a jaunty air, and fed his friends peanuts to help them forget the problem he created them. I am often reminded of how like Dusk I have become. ...

On the other hand, "A Child's Garden of Verses," by Robert Louis Stevenson, would be my unconscious choice. I can see it even now, plainly bound, but so elegant, read by my mother and my father's mother to me, and only me. I was the eldest child of seven, you see. I learned them then and felt them so much a part of me, that now, when I see a swing, or prop pillows by for someone who's ailing, I hear those poems singing to me — maidenly but certainly welcome friends of 36 years' acquaintance.

Mrs. Lorraine Kessler, Brookfield: There's no doubt about it — "Babar" seems to be an all-time favorite. When my sons were little we read the Babar books to them. They never tired of the stories. Perhaps the detailed illustrations and the descriptive, non-childish vocabulary were the reasons for their popularity. My children are grown now, but as a teachers' aide I'm reading the Babar series to children at the Brookfield Elementary School.

Patricia Thomas, Newport: My favorite was the Little Golden Book of "The Lively Little Rabbit." To this day whenever I read it to my daughter a feeling of warmth and contentment comes over me, in spite of the fact it was the dragon I really liked! I have been a children's elementary librarian for 13 years. Don't ask me my favorite children's book now!

Susan Sedgley, Wheelock: As a child (I'm 43) I read all the fairy tales I could find, from the Brothers Grimm to the Arabian Nights and Viking stories. ... One of my funniest books was "The Rugrats Vacation" with actually drawing in (with a pencil).

Wendy Lundgren, Burlington: My 5-year-old son is a voracious reader. It is such a pleasure to buy books for a child who enjoys them as much as my boy. We've collected some of the classics, ... I recall a grandmother reading to her girlfriend who had a cherished title in my eyes because she possessed the entire current library of Elsie Dinsmore. ...

In reality today's kids like humor and absurdity. In what other generation would you find children reading "The Rugrats Have a Ball"?

As my children grow, I hope they will embrace some of my favorites — "Charlotte's Web," "A Cricket in Times Square," and "Stuart Little."

As the youngest of four children, few of the books were originally mine, and usually had someone else's name scrawled inside the front cover. At least my two boys will have the pleasure of owning their own copies from the abundance of fine children's literature.

Senator JEFFORDS. The first panel includes Steward Lacasce, president of Burlington College; Maureen Gardner, Vermont State College; Ted Franzeim, Vermont Student Assistance Corp.; Nelberta Lunde, St. Michael's College; Donald Honeman, University of Vermont; and Sue Carp, Vermont Student Concerns Committee. We're going to divide the group into three's. If Steward, Maureen, and Ted could come up first.

Stew, why don't you start off. Here's the mike and we'll go down the list. It's certainly a pleasure to have you present again and I look forward to your testimony and hearing from all of you.

We're in exciting times to go forward in the reauthorization this year. And, needless to say, we have a number of problems not the least of which is budget constraints. But I am of the philosophy and belief that higher education and general education is so important that we can't just take the deficit problem as meaning it's a bar to any thought or direction as to where we should go as we, look forward to the future. We not only have to look forward to the 5 years that this program will be in effect, but we want to make sure that these things we do will not create problems for us getting to where we ought to be in the future. That's why I want to work on where we ought to be in a generation from now. So keep that in mind. I'd like your advice to make sure we don't end up borrowing from what we need to do for the future.

Stew, go ahead.

STATEMENTS OF STEWARD LACASCE, PRESIDENT, BURLINGTON COLLEGE; MAUREEN GARDNER, VERMONT STATE COLLEGES; EDWARD P. FRANZEIM, JR., DIRECTOR, GRANT PROGRAMS AND FINANCIAL AID SERVICES, VERMONT STUDENT ASSISTANCE CORP.; NELBERTA LUNDE, ST. MICHAEL'S COLLEGE; DONALD HONEMAN, UNIVERSITY OF VERMONT; AND SUE CARP, VERMONT STUDENT CONCERNS COMMITTEE

Mr. LACASCE. I very briefly read and even put my reading glasses in the car, and when I walked off I realized that I left them in my car. I have written testimony, but meanwhile I'm going to paraphrase.

Senator JEFFORDS. Please keep in mind that we have 30 minutes for the three of you.

Mr. LACASCE. I will be brief. In starting off, I want first to thank you for holding this hearing and glad we could come. It hardly seems like 6 years ago that we went through this process before. And as you recall, the last reauthorization we worked very closely with you and Bob Stafford throughout the entire process of that bill.

My favorite moment perhaps in that whole process was a statement that appeared in the *Chronicle of Higher Education* that we had been so successful in influencing our representatives that somebody said and quoted in the *Chronicle* as saying, "When it comes to higher education, Vermont runs the Nation," which I considered to be the highest praise that we could have of our elected representatives and our ability to work with you. So we look forward to working with you again this time around.

We, at your invitation, Vermont Higher Education Council did prepare a report which you have had an advanced copy and I'll give you an official copy today. It was prepared when I was last year the chair of the Vermont Higher Education Council Committee on Government Relations, and we prepared a report to you with a whole series of recommendations. We highlighted six of them, and I'm going to go down through them very quickly. You have the tests and the backup information about them in the report, but I'd like to add a couple of comments on some of them.

The first of our recommendations, and it was given in order of priority, is that you do everything that you can as you did last time around to preserve the hold-harmless provision in the campus based aid programs. This is our No. 1, top bar No. 1 priority for you to look out for in terms of reauthorization as much as possible.

This is something that you'll find, I'm sure, tremendous support from all of the New England States on. We have provided you, I believe, with information on what the impact would be financially on this State and on each institution in the State if that clause were not there. Not only would it be a loss of revenue for our students, but it would also limit considerably globally the flexibility financial aid officers have in preparing individually based financial aid packages for our students. So we consider this very, very important and encourage you to do everything that you can to preserve that provision.

The second recommendation, was a very quick one we put in knowing full well that it would not likely happen.

That is to making the Pell grants an entitlement. We put that in partly to influence the importance of grants and partly to emphasize the importance of grants over loans over the past 6 or 8 years, and the great shift as you very well know from a policy of helping students fund their education through grants as opposed to loans. So we wanted to put that No. 2 even though it's likelihood is very slim.

Third, we encourage you to resist any attempts to front low financial aid by making grants in the first 2 years and loans in the second 2 years because we believe that this would have the opposite effect on this well-intentioned effort. It would discourage middle-income students from starting and discourage low-income students from finishing.

Our fourth recommendation is trying to deal with the very, very complex and extremely important issues of loan default. We fully understand the need for doing this and recognize the importance of it nationally. Vermont, as you know, has a very good record in this case, but it is a major problem nationally.

We came up with basically encouraging you not to deal with it so much as to act, but through allowing the department to continue to control it through regulations. And have added one recommendation which you may not hear a great deal of and that one I want to emphasize, and that was the possibility of looking at it through the Secretary of Education's recognition of an accrediting agencies.

As you know, an institution to be eligible for any of the aid programs must be accredited by one of the agencies recognized by the Secretary. And most of our institutions, colleges, and universities are accredited by regional accrediting agencies. However, many are

accredited by national agencies that are subject to the particular area of interest of an institution, and large numbers of institutions that have the largest default rates are accredited by national institutions.

We are not proposing that these not be recognized, but rather the Secretary insert into the requirements and regulations for recognizing such accrediting agencies the requirement, a very small requirement, a very important one which would insist that the agencies be able to demonstrate that their accrediting processes are independent of their members. What this means is that an institution coming up for accreditation will go through a process that is fair and independent of their members, a member of the organization that accredits them.

It is possible now, and I'm probably overstating this, but it would be possible technically for somebody to buy their way into a national accrediting association and, in the process of buying into it, essentially buy their accreditation and so finance their ability for financial aid, but I do it mainly to emphasize that point. So this is one area that I think would have tremendous effect on the default issue and would also strengthen the whole accreditation process.

Our fifth is to remove needs analysis from the statute. We put that in—we know why it was there, but—in the first place and it was to preserve the legislative intent of the interpretation of that through the department. But it also apparently created major problems for the financial aid officer and, in working with us, frankly urged us to put that in as one of our six recommendations.

Senator JEFFORDS. I'm sorry. That was——

Mr. LACASCE. That was removing needs analysis from the statutes.

Senator JEFFORDS. OK.

Mr. LACASCE. The sixth and last one was to increase the funds for the student grant system, SSIG. This was a rather odd one to put in because it doesn't represent a large amount of money in terms of a packet. But we consider Vermont, as you know, has a very strong program for funding students through the Vermont Students Assistance Corporation. We think that other students should follow suit. An SSIG funding would encourage the State through a matching requirement to develop programs similar to our VSAC program.

And at this point, I want to take off my Vermont Higher Education Council hat and put on my independent college hat and make a particularly strong pitch for this one. And I want to make this very clear that I'm not speaking for SSIG. I'm speaking for the colleges.

I read an article, which I made a copy of to give you, that appeared in *Change Magazine* in 1990 just less than a year ago by somebody by the name of Frederick Fischer, an analyst in OMB. He was making a point that in the shortage of funds that this government has in funding any of our programs and specifically higher education, it's going to be increasingly difficult to fund it in the way we have historically for the last several decades in that there just simply isn't enough money to sustain programs to artificially deflate the tuition at public institutions.

Obviously, this is a development person speaking about this in relation to public institutions, not that we're opposed to public institutions. That's not the point at all. When the funds are scarce, if you target the funds at the student as opposed to institutions, you will guarantee that that student is able to go to college somewhere. Whereas, if you place that money in institutions, what we're doing is funding students who can afford to pay the full cost of the education along with those that cannot.

I think there needs to be some more balance toward funding students in the process of the mix between institutional and student aid. I make that statement mainly to point out the emphasis to look at that as a national policy. I think it's not going to happen this time around, but it may 6 years from now. So I want to give you the article to read.

I will now put my VSAC hat back on again and say that these six recommendations, including increased support for SSIG not quite as blatantly as I just made it, are positions that all of the colleges, all of the presidents of all of the colleges, all financial aid officers of all of the colleges, both public and independent, recommend to you as our highest priority.

Senator JEFFORDS. Thank you very much. Excellent testimony, Stew.

[The prepared statement of Mr. LaCasce (with an attachment) follows:]

PREPARED STATEMENT OF MR. LACASCE

Thank you for inviting me to present testimony today on the reauthorization of the Higher Education Act. It hardly seems possible that 6 years have passed since we went through this process with you and Bob Stafford. As you recall, you worked closely at that time with those of us on the Vermont Higher Education Council. In the end, you and Bob were so successful in furthering our mutual agenda that the *Chronicle of Higher Education* quoted someone as saying peevishly, "When it comes to higher education, Vermont runs the country!"

This time around, you again invited the council to offer its advice, and I am pleased to present to you a report that we adopted at our last annual meeting. It contains in essence the recommendations of all the presidents and of all the financial aid officers of all of the public and independent colleges in Vermont.

Of our six top recommendations, the single, No. 1 top priority is to maintain the "hold-harmless" provision for each of the campus-based programs using as the base an institution's 1988 level of expenditure.

Our reason for placing so much emphasis on this provision is that above all else, it allows each institution some flexibility to help shape an individual student's financial aid package on top of those grants and loans that he or she receives according to a national standard. Were this provision to be dropped from the reauthorization, the loss to all the institutions in the State and to those in the rest of New England would be significant—not only in the amount of funding available to our students, but also in terms of the flexibility we have to meet their needs.

I can not stress too strongly how important we believe this provision is.

Our second recommendation, making Pell grants an entitlement, we know is a long-shot at best. We include it mainly to emphasize the importance of giving grants priority over loans as sound national policy.

I would now like to read our next four recommendations. Our reasons for making them are documented in the text of the report, so I need not elaborate on them here except to add a couple of footnotes:

Recommendation No. 3—Resist any attempt to "front load" financial aid by making only Pell grants available in a student's first 2 years of college and only Stafford/SLS loans in the final 2 years.

Recommendation No. 4—Maintain the Department of Education's regulations concerning reduction of defaults in the Stafford Loan Program and strengthening the

Secretary's role in recognizing accrediting agencies that provide institutions with eligibility for Federal financial aid programs.

Recommendation No. 5—Remove need analysis from statute.

Recommendation No. 6—Substantially increase the funds for the State Student Incentive Program (SSIG) over current authorizations levels.

Concerning Recommendation No. 4, that is, approaching the problem of loan defaults through regulations and the accrediting process, deserves one of my two footnotes. I am sure you will hear many recommendations concerning this difficult topic, but you may not hear much about the possibility of approaching it through a minor change in the accrediting process. As you know, most colleges and universities are accredited by one of the regional accrediting agencies, and must meet their high standards. However, many other institutions—including a large number of those with substantial default rates—are accredited by national accrediting bodies, some of which are little more than membership organizations that you can join by paying a fee.

Our recommendation, therefore, is very simple: Namely, that the Secretary of Education recognize no accrediting agency which fails to demonstrate its independence from its own members and from other organizations in the exercise of its accrediting function. This simple change could significantly strengthen the integrity of accreditation itself, and at the same time lessen the possibility of institutions more or less buying their way into eligibility for Federal financial aid.

My second and last footnote to our recommendations concerns No. 6: That is, increasing funds for SSIG in order to encourage other States to follow Vermont's lead in developing need-based scholarship programs. In my opinion—and here some of my colleagues in the Higher Education Council may differ—this approach to financial aid may be the only financially viable option this Nation has in the future to assure access for low-income students.

I would like—again speaking personally and not from the perspective of the Council—to recommend to you an article by Frederick J. Fischer that appeared in the January 1990 edition of *Change Magazine*. (I have made a copy for your convenience.) In this article, Mr. Fischer, who was a budget examiner for the Office of Management and Budget, argues persuasively that the Federal Government as a matter of policy should encourage States to develop their need-based financial aid programs. Put simply, he argues, in effect, that States can no longer afford to subsidize students who are able to pay the full cost of an education by artificially reducing their tuition at certain institutions.

Having ventured briefly and independently into this controversial area, I will now put my Vermont Higher Education hat back on, hand over our report to you, and thank you sincerely for your offer to work with us once again.

[Article from the Change Magazine follows:]

STATE FINANCING OF HIGHER EDUCATION

A NEW LOOK AT AN OLD PROBLEM

Establish the law for educating the common people. This it is the business of the state to effect and on a general plan.

—*Thomas Jefferson*

Virtually all students of higher education would agree that there is no "general plan" that guides the public sector (the federal government and the states) in providing subsidies to "educate the common people," at least at the post-secondary level. Some would go further and assert that no such plan should exist. Larry Gladieux and Tom Wolanin noted years ago in their instructive study, *Congress and the Colleges*:

> Another historical assumption of federal higher education policy is that there is no policy in the sense of an integrated, coordinated and comprehensive blueprint. . . . Also, because the federal role is supplementary to that of the states, an aspect of the consensus is that a comprehensive federal policy is unnecessary. Indeed, if such a comprehensive policy were formulated, it might violate the understanding of the proper federal and state roles because it would imply a primary federal responsibility.

But a comprehensive policy or "general plan" is important, as Jefferson realized, because it is usually the "common people" who are excluded or left worst off when complex public policies are poorly coordinated and lack an overall strategy. These people have limited political clout. They cannot afford expensive lobbyists and lack the resources to avoid the consequences for them of retrogressive policies. The litany of powerlessness is familiar, I know. But improving the lot of these people should, in my view, be the major goal of policymakers; it is the principal domestic business of the state.

In this article, then, I will advance a general plan of public responsibility for the finance of higher education. More precisely, I will review the current state approach to higher education finance, analyzing state policy on its own merits and the appropriateness of the federal response thereto, and then commenting on the resulting level of policy coherence. I will argue specifically that:

- contrary to popular wisdom, there

BY FREDERICK J. FISCHER

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- an implicit general plan currently uniting federal and state financing policies;
- this general plan is inefficient, inequitable, and ineffective, involving obsolete state financing policies and mistaken federal responses thereto;
- another general plan is available that addresses most of the problems with the current plan; and
- implementation of this plan would almost certainly require federal intervention in state financing policies.

Much of what follows is hardly new; readers may find, for example, cogent discussion of the issues raised here in a seminal 1971 paper by Lee Hansen and Burton Weisbrod and in the Carnegie Commission's lucid 1973 study, *Higher Education: Who Pays? Who Benefits? Who Should Pay?* (see "Selected Readings"). Little has been written on this topic in the last decade, however, and the issues are important enough to deserve consideration anew.

Let us begin by recalling Willie Sutton, the infamous bank robber, caught once more and asked by a judge, "Willie, why do you keep robbing banks?" Sutton replied, supposedly in all innocence, "Because that's where they keep the money."

Sutton's point about concentrating on where the money is is a useful one in thinking about public policy. Looking for big money is often how we discover what the underlying policies are, how we get pointed to real sources of problems. A big money focus can also help us avoid Washington-based myopia about public purses that matter. Many people, misled by the determinedly federal focus of many higher education lobbyists and by frequent media attention to battles about federal student aid, have come to believe that the federal government is the principal public-sector contributor to the general financing of higher education.

Not only is this perception wrong, it is badly so. For the most recent year for which the National Center on Education Statistics has published actual data (1985), direct state and local government contributions to current-fund revenues of institutions of higher education were $30.6 billion, while federal appropriations for the title IV student-aid programs were $9.0 billion. That is, *state and local dollars were more than three times the federal dollars*: the big money, without question, is at the state level. What are the states doing, and why?

Current State Practice

There is great diversity across the states in policies toward financing higher education. Some charge relatively high tuitions at public colleges; others keep tuitions low. Some provide substantial need-based aid to students; others relatively little. Most provide direct aid to students at private institutions, though in most cases the amount is small.

These differences have important implications for how states would react politically to a change in federal financing policy; they make it difficult to fashion a single, coherent federal policy in the first place. They need not, however, distract us from analyzing the dominant thrust of state policy.

That policy is unambiguous and essentially unchanged for more than a century: provide direct appropriations to public institutions to allow those institutions to charge tuitions for all students that are low in absolute terms. The resulting charges are also, importantly, low relative to the cost of providing education services at these institutions, and low relative to charges by comparable private institutions. That direct appropriations to reduce tuition for all is the basic financing policy is clear from figures developed by Tom Mortenson of the American College Testing Program: in recent years only about 5 percent of state support for higher education has been in the form of need-based financial aid—95 percent goes to colleges as a direct tuition subsidy for all students.

Seven basic reasons have been advanced over the years in support of this direct-aid-to-institutions approach.

First, higher education is a public good that should be free—or at least very easily accessible financially—to all qualified users. It produces general benefits to society and should, therefore, like public elementary and secondary education, be financed to a great if not exclusive extent by taxpayers. Economists making this argument would say that the approach is "efficient," priced as it ought to be.

Second, a related argument views higher education as an entitlement: everyone (who can gain admission academically) should be able to afford and have access to a college education, and therefore it should be essentially free for everyone.

The third reason is a parochial version of the first: a state needs to provide a subsidy to keep its most able students from leaving the state, from attending college elsewhere and perhaps not returning. Future state benefits in the form of economic growth and intellectual, cultural, and political vitality are said to depend on this.

Fourth, low tuition promotes equal opportunity by making it easier for able students from lower-income families to afford college. The approach is equity-enhancing among the college-bound. There are two subtle variations of this argument. One is that a low-tuition "sticker price," as opposed to a high sticker price offset by need-based aid, prevents "sticker shock" and reduced enrollment by low-income students (I use this latter phrase as shorthand, with regard to dependent students, for "students from low-income families"). The other variation is that making low tuitions available for all makes it easier for the political process to make them available for students from poor families.

Fifth, direct appropriations by the state legislature affecting all students maintain needed public control over what goes on at public institutions; accountability is ensured.

Sixth, direct state appropriations is a simple mechanism that means much less paperwork and red tape for the state, for public schools, and, importantly, for students.

The seventh reason needs mention only in passing. The low-tuition approach basically extracts money from parents (and other state taxpayers) via the tax system rather than relying on a voluntary parental contribution to a student's education. This "forced payment" approach makes students more independent and, in essence, prevents well-off parents from preventing their children from going to college by refusing to help pay the bills. This argument seems too cynical about the relations of parents and children. Even if there were, however, large numbers of well-off parents unwilling to help

financially (poor parents would not be expected to help in any case), there is sufficient aid-officer discretion in the current system of determining need and awarding aid to allow the situation of children of such parents to be addressed. This argument is not discussed further.

Arguments Against Current State Practice

The first six arguments are, at first glance, plausible and persuasive. Yet on closer inspection, I believe, we will find none of them—with the exception of administrative simplicity—very compelling.

• **Postsecondary education as public good.** It is more difficult to make a case for the general (or social, or public) benefits of a college education, and for the corresponding general subsidy approach, than it is for elementary and secondary education.

If a student is literate, for example, he will be able to read street signs and be a safe driver, which benefits pedestrians and other drivers. Or, at another level, he will be able to comprehend newspapers and other basic written materials, which will help him be a better citizen by improving his understanding of events around him. Similar arguments apply to basic numeracy. This is not to deny that these basic skills create substantial private benefits—they clearly do—but only to argue that a significant share of lower school benefits is public.

It is much harder to identify benefits that clearly accrue to society, *above and beyond what accrues to the student*, from going to college and learning to be an engineer, English teacher, businessman, or computer programmer. One can say that society needs and values engineers, which is certainly true, but that is just another way of saying that the salary the student (not society!) comes to enjoy as an engineer reflects the usefulness of his or her skills.

Although I am better off because engineers exist, the degree to which I am better off is measured by how much I am willing to pay for engineering services. That is, I will be just indifferent at the margin between keeping my money and buying engineering services. If I buy those services, my well-being will be *unchanged*: I will have increased my well-being by some amount by acquiring the services, but decreased it by an equal amount by giving up money.

A common objection to this line of argument is that sizeable public or social benefits *do* exist in the form of increased taxes paid by college graduates. It is correct that these taxes represent real increments to production that students would not be likely to take into account when thinking about investing in college. But if one wishes to include these benefits in the benefit-cost calculation, then one must also include costs that the student may not take into consideration, such as the difference between full educational cost and the subsidized price he or she would face at either a public or private college.

Lee Hansen looked at this question in some detail in an April, 1963 article in the *Journal of Political Economy*, one of the earliest rate-of-return studies. He found, interestingly enough, that public subsidies make "the private rates of return net of tax considerably *more* attractive than the rate of return earned on total resource investment" (emphasis supplied). That is, relative to private benefits and costs, the incremental social benefits of college education are actually less than the incremental social costs.

Most studies over the years have supported Hansen's conclusion. Larry Leslie and Paul Brinkman, as part of their larger 1988 volume, *The Economic Value of Higher Education*, carried out a so-called meta-analysis of 15 studies that calculated social rates of return. Although Leslie and Brinkman warn of possible downward biases in these calculations, they nonetheless dutifully report that the social rates of return on undergraduate education "range between 11.6 and 12.1 percent—slightly less than the private rate of return values." Thus the taxes-as-benefits argument for providing additional public subsidies, once appropriately framed, has not generally been found compelling empirically.

All this is not to deny, of course, that there are many real non-financial benefits from higher education. One might mention, for example, the ancillary pleasures of life on a college campus, the aesthetic pleasure of learning, development of desirable personal qualities such as intellectual integrity and tolerance of change, general cognitive development, and so on. Note that these benefits are primarily private in nature.

It is probably appropriate to visualize a

It is more difficult to make a case for the general (or social, or public) benefits of a college education, and for the corresponding general subsidy approach, than it is for elementary and secondary education.

Contrary to general perception, the big money in public-sector contributions to the general financing of higher education comes from the states rather than the federal government.

continuum of benefits along the scale of educational attainment, with the public-private mix of benefits changing as the education level changes. At the low end of general learning (elementary education), a substantial share of benefits is public; at the high end of specialized training (graduate education), virtually all benefits are private. Contention usually emerges about the precise mix during the last year or two of secondary schooling and the undergraduate years. I read the evidence to say that the benefits from undergraduate education are predominantly private in nature and that those of graduate education are almost entirely so.

Regardless of the degree to which one ascribes general benefits to society from postsecondary education, however, this argument does not, in itself, justify state policies that create low tuitions for the non-needy. The precise question to ask about the low-tuition state policy is: do students from well-off families *need* this subsidy to enroll in sufficient numbers, from society's perspective?

This question is raised and answered in the Hansen and Weisbrod article mentioned earlier:

> the institution [is] adequate without subsidies—at least for those not near the bottom of the ability-to-pay ladder. Thus, even if social benefits are large, no public subsidy is likely to be necessary to encourage the vast majority of higher-income students to invest in college training.

Hansen and Weisbrod base their belief on evidence that the rate of return from college equals or exceeds that available from other investments. An additional consideration is that, *for well-off families*, the person realizing private benefits (the student) is not the person paying most of the costs (the parents). Presumably this leads such students to demand more postsecondary education than they otherwise would.

If private incentives are already sufficient to produce appropriate postsecondary enrollment levels, then, given the substantial subsidies that are currently provided to students in the public sector through the low-tuition approach, and in the private sector through tuition subsidies from endowment and contributions, and in both sectors through various federal programs, one would expect substantial *overinvestment* in higher education, at least from a labor market perspective. And, indeed, several investigators have found evidence of such overinvestment. For example, Russell Rumberger, in an article in the Winter, 1987 issue of the *Journal of Human Resources*, concludes that "a significant proportion of working Americans have completed more schooling than their jobs require."

• **Postsecondary education as entitlement.** Once one gets beyond the areas of basic Constitutional rights (e.g., free speech, suffrage), the question of what is a right or entitlement is a political one that is difficult to address on objective, analytical grounds.

As a factual matter, it is clear that higher education is not now an entitlement, unlike elementary and secondary education. That is, if my child were denied access to public elementary or secondary education in any state, I would have grounds for suing to get him or her admitted. But if my child were denied access to public higher education, I would

not have such grounds (except in a few jurisdictions with totally open admissions policies). Further, even if my child were admitted, but could not attend because I could not afford the required tuition costs, I would still not have grounds for suing.

But the important question is not factual but normative: *should* higher education be an entitlement (for those who satisfy academic criteria for enrollment)? I believe very strongly, on equity grounds, that the answer to this question is no. Society always faces competing claims for available resources. Other things being equal, higher priority should be given to addressing the claims of those who are worst-off. An entitlement to higher education allocates resources to those who are, by definition, most likely to be the best-off as adults: the most intelligent (or at least the most educable). Although it is hard to make the allocation decision between helping an elementary school student to read and a college student to understand Hegel, our first duty is and always must be to the younger student.

Even if one were to assume for the sake of argument that postsecondary education should be an entitlement, however, that assumption does not imply the current low-tuition, direct-grants-to-colleges approach. One could as easily construct an entitlement program based on need-based subsidies to students from poor families, so that all students would be able to afford some decent level of public higher education. But more of this below.

• **Subsidies to retain talent in-state.** Reducing the price of in-state public postsecondary education, so that it is cheaper than the price of private education or of public education in other states (where the student would be from out of state and pay higher tuition), is similar economically to subsidizing a domestic industry to shelter it from foreign competition or, equivalently, imposing a tariff on foreign competition to induce the consumer to buy at home.

This subsidy-tariff is a very substantial one. In 1985–86, according to NCES, public tuition and fees (in-state) were only $1,044, compared with $5,778 at private colleges—private prices were *more than 5 times higher* than public prices. Worse, the disparity between the two has generally increased over the last 15 years. The private-public price ratio has moved from 4.5 in academic year 1973–74 to almost 6 in 1987–88. And although FTE-weighted figures for in-state versus out-of-state charges are hard to come by, it appears that the aggregate price differential between those two figures is in the same ballpark as the private-public differential.

Just like a tariff, the fact of these imposed price differentials produces baneful results. First, it shelters public institutions from competition from other institutions (private or out of state), allowing inefficient and more-costly-than-necessary provision of education services at any given quality level. Second, it distorts student choice, and can induce students for financial reasons to choose the wrong school for them. Third, although public institutions can generally count on their own state enrollments (as if, in international trade, the countries were dividing up the world market), the sum of their "tariffs" on private higher education puts private education at a distinct and unfair competitive disadvantage. The effect of this tariff is, at least, to distort private-sector pricing (as it struggles to maintain its enrollment share) and, at worst, to threaten its fundamental financial viability.

Interestingly, in the May, 1989 *American Economic Review*, Michael McPherson, Morton Schapiro, and Gordon Winston report just such a distortion for certain private institutions:

> ... market segmentation is extremely important in understanding college ... behavior. Poorly endowed private colleges have tuition rates that are within $1,000 or $2,000 of public college tuitions (that are heavily subsidized by state governments), and often compete for similar students. These pressures have probably contributed to keeping tuition increases relatively low at these schools.

There is an additional undesirable result of the public-private price disparity to note. Importing the tariff analogy from its normal realm of trading in private-sector goods and services is somewhat misleading because, for a variety of reasons, the ability of both the public and private higher education sectors to expand enrollment is more limited and certainly less rapid than is the ability of a private firm to expand production.

As the gap between public and private sector prices widens, more and more higher-income students may decide they

But the important question is not factual but normative: Should higher education be an entitlement (for those who satisfy academic criteria for enrollment)? I believe very strongly, on equity grounds, that the answer is no.

A low-tuition policy *by itself* does not promote equal opportunity. *Just the opposite.* It provides a subsidy that increases as incomes rise, while providing insufficient assistance to provide the poor with real opportunity. It is manifestly and grossly inequitable.

don't want to pay private prices and will instead attend flagship state institutions. To the extent that flagship enrollments are limited, or capped, rationing crowds out disadvantaged students (who are, on average, less competitive in ability), who are then forced to attend proprietary schools or community colleges (which have much more elastic capacity), or to not attend at all. (Some may be induced to attend private schools with excellent aid packages, but the supply of such opportunities is limited.) A portion of the apparent decline in minority postsecondary enrollment in recent years may be due to such a phenomenon.

Finally, the institutionally tied or in-kind nature of the low-tuition may have the undesirable result of reducing the total amount of higher education provided, relative to use of an "untied" or portable money subsidy. Because the subsidy is not portable (unlike, for example, that of a Pell grant or a Guaranteed Student Loan (GSL)), a student wishing to go elsewhere must give up the tuition subsidy entirely to do so. In addition to distorting his choice, as noted above, if the price differential between a state school and, say, a private college is large enough, he may decide to go to the state school and accept the low-tuition subsidy *even though he would have been willing to spend more of his own money if an alternative education at some intermediate price had been available.*

In an intriguing study of this phenomenon in the January/Feburary, 1973 issue of the *Journal of Political Economy*, Sam Peltzman estimated that "for each dollar now spent by government higher-education institutions, total [private] higher-education expenditures are reduced by at least seventeen cents more than they would be if government subsidies were rendered in money," indicating that "the expenditure-restriction effects of existing higher-education subsidies have been substantial."

• **Promoting equal opportunity for students from low-income families.** Of all the low-tuition arguments, this one is the most uniformly appealing but also, alas, the most seriously misleading and socially divisive.

Low tuition *does* help a student from a middle- or lower middle-income family who could not afford an unsubsidized price but who can afford the low tuition plus non-tuition costs (books and supplies, transportation, room and board, etc.). But low tuition *is no* help to a poor student who cannot financially get over that remaining-cost threshold. As the Carnegie Commission report rather commonsensically noted, "A policy of low tuition by itself does no good for a student who cannot afford to go to college even at low tuition."

This is scarcely a theoretical curiosity; threshold costs are not trivial. Data for school year 1986–87 from the NCES National Postsecondary Student Aid Survey (NPSAS) indicate that full-time undergraduate students at public institutions, *including* those living at home with their parents, paid an average of about $2,700 in non-tuition, non-fee costs—a hefty sum, indeed, and the more so when added to tuition and fees that averaged about $1,300.

This threshold problem seems to have been ignored until the 1960s for two reasons. First, prior to then, there was no social consensus that significant numbers of poor—as opposed to lower-middle-income and middle-income—children wanted to go to college, were able to go to college, or should be expected to go to college. Thus the impact of any particular financing scheme on this group was of limited policy interest. Second, average real incomes were lower, and relatively wealthy families tended to send their children to private institutions, so that the amount of "untapped" family resources at public institutions was limited. This meant—given the assumption that few poor students were college-bound—that the low-tuition approach was a fairly efficient subsidy scheme: it relieved families of relatively small amounts of otherwise-expected family contributions. As the Carnegie Commission report put it:

> The policy of low tuition or no tuition in public higher education appealed strongly to the founders of state-supported institutions and their . . . legislatures in the nineteenth century. With populations that were predominantly agricultural, and containing relatively few wealthy families and far fewer members of the middle class than is true today, . . . low tuition seemed the most logical way of providing an opportunity for . . . higher education to the relatively small numbers of sons and daughters of farmers and shopkeepers who completed secondary school.

But rising real incomes, changing col-

lege attendance patterns among the well-off, and increasing aspirations of and lowered barriers for poor students, made the low-tuition approach obsolete. Rising real incomes and increased public sector attendance by wealthier students combined to make the state subsidy increasingly regressive, as parents escaped making more of the contribution to college costs that their wealth made possible. And, at the other end, more and more students found their college hopes thwarted by the non-tuition threshold.

A low-tuition policy *by itself* does not promote equal opportunity. *Just the opposite.* It provides a subsidy that increases as incomes rise, while providing insufficient assistance to provide the poor with real opportunity. It is manifestly and grossly inequitable.

• **Avoiding "sticker shock": low tuition as the best means politically of obtaining subsidies for poor students.** "Sticker shock" is a real problem, particularly for students from low-income families. Indeed, it appears to happen well before the purchase is made: survey results consistently find that families facing college charges in the near future systematically and significantly overestimate the prices they will in fact encounter, leading many prospective college students in such families not even to consider application, or to apply only to lowest-sticker-price schools.

But this fact does not argue for distorting prices (hardly anything does) as much as it does for fuller, more effective publicity about the affordability of college and the availability of financial assistance for those who need it. If higher education did as good a job of publicity in this area as automobile companies or proprietary schools—and I see no particular reason why they can't, and every reason why they should—"sticker shock" would become a thing of the past.

As for arguments that a low-tuition approach is realistic politics, obtaining the greatest benefits possible for poor students (at an admitted price of subsidizing middle- and upper-income students), there are questions of both fact and value. As to facts, there are need-based grant programs in all states—many of them substantial—providing in total over $1.5 billion a year. What is the evidence that it is harder politically, *for each dollar of aid to the poor,* to expand these programs rather than state grants to institutions? (I add the "dollars to the poor" measure because it is important to remember that 100 percent of each need-based dollar goes to poor students, while much less than 100 percent of each untargeted tuition-subsidy dollar does.)

This caveat leads directly to questions of value. As we have seen, low tuition can provide needed and helpful subsidies to middle- and lower-middle-income students. But it does little, by itself, to help the poorest students because they cannot get over the substantial remaining-cost threshold. If this is the case, why is low tuition good politics for the poor? The answer is that it is not.

• **Maintaining state control and accountability.** Why should there be any significant level of public control, in the sense of detailed legislative or executive branch oversight, at all? The first answer given is to ensure the correct expenditure of state funds appropriated to state institutions. But the logic of the argument is circular: we finance public institutions primarily with state funds to ensure public accountability; the primary purpose of accountability is to ensure that state funds are well spent.

What is more important than the weakness of this argument for direct state financing of institutions are the unfortunate consequences it can have. (Note that these arguments would apply with equal force to similar federal involvement.) State oversight tends to reduce the authority that administrators and faculties of public higher education should have, and, in general, tends to reduce the autonomy that such institutions should enjoy from political intrusion in order to maintain their academic integrity and their responsiveness to changing markets. Further, by making the state rather than the student the primary purchaser of education services, student consumers have both less power to demand improvements in their education and less concern about doing so. In effect, the generosity of the state shelters public-sector institutions from efficiency-creating competition with private colleges and public institutions in other states.

Note, finally, that while I and others can argue that direct financing as a practical matter tends to lead to too-detailed state oversight, the need for *some* level of public control over these public entities does not in any way imply the specific approach of direct financing and low tuitions for all. The issues can and should be separated.

Many would argue, notwithstanding these various criticisms, that the wheel is not broken, and that any major "fix" to current state practice is therefore unnecessary and dangerous, possibly leading to serious disruption of public higher education. As I have tried to suggest above, the wheel *is* broken—analytically, if not yet politically. The current approach is bereft of compelling theoretical or practical rationales and has a large number of distressing consequences for taxpayers, for students (particularly poor students), for private higher education, and for public institutions themselves.

Why then, you may ask, do we not hear more about this matter? If this is such a big problem, why aren't people writing and talking about it more? A fair question, and one whose answer will help us see the "general plan" that is currently in operation.

The Accidental Conspiracy of Silence

As we have seen, rationales for the low-tuition policy began to break down in the 1960s, as large numbers of poor students found the non-tuition threshold too great an obstacle to higher education. It is not too surprising, then, that significant levels of public discussion about the matter date from that period, with the greatest amount of interesting writing in the late 1960s and early 1970s. What is surprising is that this discussion lasted only a decade, culminating for all practical purposes in 1978 with chapters on state financing by Robert Berdahl and Colin Blaydon in *Public Policy and Private Higher Education*, edited by David Breneman and Chester Finn.

What happened? Why did all the voices fall silent? Why isn't anyone talking about state financing of higher education any more? There seem to be several explanations.

First, among academicians, all the analytic issues were fully explored. Not to put too fine a point on it, the several arguments against a low-tuition policy

were so clear and powerful that there was quick academic consensus on what constituted both the problem and the solution. Empirical work that might have been undertaken in support of that consensus went largely undone due to a lack of funding and of good national data sets.

Second, beginning in the early 1980s, the executive branch began to oppose the efforts of Congress to liberalize further federal student-aid programs. The Reagan Administration attempted year after year to reduce student-aid subsidies, a combat that captured the attention of policymakers and unified all sectors of higher education in support of current federal policies. State policy received scant attention.

Third, there unexpectedly turned out to be more than enough students for everybody. Enrollment expanded sharply in the 1960s and 1970s and has held roughly steady since 1980. The forecast of sharp enrollment dips had led to predictions of tension between the public and private sectors over the low prices at publics; when the dip didn't materialize, private colleges found themselves with enough warm bodies to render an argument with the publics unnecessary. The private sector kept quiet (or, more accurately, went quietly in search of increased federal and state aid, and found it on several fronts).

Fourth, the enrollment growth benefitted the public sector greatly, and it expanded to accommodate it. Public colleges, to overstate a bit, were fat and happy. If they chafed at state controls, they were not sufficiently irritated to refuse big increases in aggregate levels of state support, primarily in the form of community college construction and financing. Public higher education was content to avoid competition and continue to rely on direct state financing.

Fifth, one by-product of enrollment growth in public colleges is that an increasing percentage of college-educated elites has gone to those colleges. Since these graduates tend to appreciate the subsidies they received as students (or simply, and understandably, believe that the way things were done at their schools is good because they got through successfully), the current system is becoming ever more self-perpetuating because this ever-growing pool of graduates finds it hard to question the traditional approach. It simply seems natural to them.

But these five reasons—even in combination—are not entirely convincing. None of them, after all, addresses the fundamental problem with the low-tuition approach that led to all the analytical fuss of twenty years ago: low tuitions do not help poor students who cannot get over the remaining-cost threshold. The question is: what, if anything, happened in this period to address the problem of providing access for poor students?

To ask the question is to answer it: the enactment of the Pell grant program in 1972. Congress recognized by the early 1970s that the higher education programs it enacted in 1965 (including predecessor programs like National Defense Student Loans incorporated into the act) were not working well enough in providing access for poor students. They intended to remedy this with the quasi-entitlement Pell program, *whose initial award maximum was consciously set at a level sufficient to pay non-tuition costs for a poor student at a public junior college, complementing low-tuition costs created by direct state appropriations.*

One might object that this oversimplifies, that Pell grant enactment had other, equally important objectives, such as achieving aid portability or establishing a program with national guidelines that applied equally to all. I suggest that these are properly viewed as means, not ends; the fundamental goal of Pell was to address the financing problem of low-income students that loan and campus-based programs had failed to address.

The Congress succeeded in this effort —I believe most people would agree— and some form of postsecondary education became affordable for virtually any poor student. To indulge in metaphor, Pell has, indeed, become the *linchpin* of student aid. But it is not, as it is so often incorrectly described, the *cornerstone* of student aid. *The cornerstone—the piece on which Pell rests, the policy to which Pell responds—is direct state aid to public institutions.*

Here we arrive at the great central irony of current student aid policy, of the current "general plan." The Pell program is explicitly (and correctly) intended, explained, and justified as providing needed subsidies to poor students. *Its implicit—but nonetheless real—function, however, is to protect and sustain the obsolete system of direct state aid to public institutions and the unnecessary subsidies to well-off students that that system delivers.* As we shall see below, that unnecessary implicit subsidy to well-off students is *more than twice* the size of direct Pell subsidies provided to poor students. The Pell program may help the poor, but it serves the well-off much more.

One could argue that other forms of title IV aid could just as easily be seen as supporting state low-tuition policies (money is money, after all), and that singling out Pell grants is thus unjustified. I am not persuaded. GSL was never intended as a primary source of aid for low-income students, and should not be thought of as a complement to low tuitions. As for campus-based programs, they were always intended primarily to ameliorate problems of low-income students at high-cost (i.e., private) schools. As annual award data show, a greater share of Pell than of all campus-based aid and of just Supplemental Educational Opportunity Grant (SEOG) aid has historically been channeled to public institutions, and these disparities have increased over time.

In any case, Pell was enacted after all these other programs were in place, presumably to remedy problems they hadn't solved. The key problem was the remaining-cost threshold. The Pell grant program, albeit unwittingly, is the villain of the piece.

Possibilities for a New Debate

Although some of the conditions still exist that led a decade ago to an end of debate about state policies, most don't. National data sets are becoming available that allow simulation and quantitative analysis of the effects of different state and federal policies; one such simulation is described below. Reagan Administration-type challenges to student aid programs do not seem likely under the Bush Administration; analysts and policymakers are now likely to find it easier to look at student aid a bit more dispassionately and critically. Escalating private-sector prices are meeting with rising public resistance, increasing private-sector resentment at public-sector discount pricing.

Finally, Pell no longer, it is alleged, addresses the threshold problem. The claim is that too many poor students are having

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to borrow to finance their postsecondary educations, even at public colleges (the "grant vs. loans" debate, as it has unfortunately come to be called). The real problem is that Congress has liberalized Pell grant eligibility provisions so much in the last decade, thereby reducing the target efficiency of the program, that increasing the award maximum significantly has become too expensive to afford.

See, in this connection, Tom Mortenson's outraged article on the cost to poor students of Pell liberalizations in the Fall, 1988 issue of the *Journal of Student Financial Aid*. Mortenson documents the expansion of Pell eligibility for higher-income applicants in 1978 and 1986 amendments, consisting of reduced assessments against discretionary income, more liberal contribution offsets for number of children in college, and an exemption for state income taxes paid, *all* of which aid only families with discretionary (i.e., after offset for basic family maintenance costs) income. Poor families have little or no such discretionary income. He summarizes the analysis as follows: "Under the budgetary constraint of limited funding . . . , the additional costs of extended eligibility . . . have been financed by reduced growth in the maximum grant for Pell applicants from poverty backgrounds."

All of these relatively recent changes suggest that the time may be ripe for a reconsideration of the current "general plan."

An Alternative to Current State Practice

I have hinted at this alternative "general plan" already. In general, the alternative would: 1) eliminate current-fund revenues from direct state aid to institutions (at least for operating costs); 2) allow tuitions to rise to the level needed to replace that lost revenue; and 3) provide sufficient need-based aid, in some appropriate, effective form(s), so that poor students are able to afford a decent postsecondary education. Such a change would respond to virtually all of the problems with current practice:

- By increasing tuition, unnecessary, regressive subsidies to well-off students are eliminated and equity is increased. In addition, substantial savings to state taxpayers are generated by the improved targeting.
- By increasing the price to public-college attenders to a level closer to real costs of their education and to prices at comparable institutions, economic efficiency is increased. Further, this price increase would likely lead to increased consumer pressure to hold down the real costs of providing higher education services, hopefully improving productivity in this sector of the economy.
- By placing more financing responsibility on the student-consumer, along with providing him or her with a greater share of student aid, student mobility and freedom of choice among schools and sectors is increased, increasing student welfare and enhancing competition among schools.
- By replacing direct payments to colleges with payments to students, the independence and autonomy of these colleges would likely increase; they become more sheltered from politics. Note, however, that states would still provide suitable subsidies for public postsecondary education (in the form of need-based aid) and would retain their legal authority and oversight capability.
- By providing aid to low-income students more efficiently, these students are better able to afford a decent postsecondary education, since the "threshold problem" is addressed directly and explicitly. This is likely to increase low-income enrollment.

The question most often raised about this sort of large-scale change in higher education financing is: what is the net effect on who pays the bill? Unfortunately, until recently, no national data set existed that would allow simulation of such a change. The new National Postsecondary Student Aid Survey (NPSAS) mentioned above, first conducted by NCES in the 1986-87 academic year, does provide a source for answers.

NPSAS is a survey of both aided and unaided students that provides comprehensive data on how higher education is financed from the perspective of the student and his or her family. Since the NPSAS sampling unit is the institution, it is possible to link the student-finance data from it to data from another federal survey on institutional financing. With this integrated data set in hand, it is a relatively easy matter to simulate the costs of the alternative relative to current practice.

Reagan Administration-type challenges to student aid programs do not seem likely under the Bush Administration; analysts and policymakers are now likely to find it easier to look at student aid a bit more dispassionately and critically.

Opposition will come from across the political spectrum, even from those who view the low-tuition-for all approach as the surest way to secure subsidies for poor students. It may be too much politically to expect states to pursue alternatives that require large tuition increases. Especially after a full decade of college price hikes well in excess of inflation...

NCES has performed such simulations. Specifically, it simulated a situation in which all state and local direct appropriations to public institutions were withdrawn. Public tuition was then raised to a level designed to offset this revenue loss, in essence shifting all of these formerly public costs to students and their parents and producing significant taxpayer savings. (Interestingly, the resulting public tuition levels were still below those of private colleges.) However, using traditional approaches to calculating expected parent and student contributions to college costs, many of these families could not afford the higher tuition level. So, using the new, higher tuition figures in each state, unmet need was calculated for all students and assumed to be met *in entirety* from hypothesized new state grants, producing new taxpayer costs. (If the student had any unmet need before tuitions were increased, this need was met as well.)

Because some students and parents were able to pay some or all of the increased tuition costs, the taxpayer savings from withdrawal of the direct state and local appropriations exceeded the taxpayer costs from new state grants. The result is a *net taxpayer savings of about $8.6 billion*, representing costs shifted from taxpayers to better-off students and their parents who can afford to pay them.

Another way to interpret this result is to say that $8.6 billion was roughly the subsidy provided in 1986-87 to well-off families with dependents in state colleges, because of the current low-tuition approach as opposed to a need-based aid approach. To put this figure in perspective and to justify my assertion above that Pell's implicit subsidy to the wealthy—the $8.6 billion—is more than double its explicit subsidy to the poor, the relevant Pell appropriation figure (FY 1986)—the explicit subsidy—was only $3.6 billion.

It is important to understand what the results of this simulation mean. Assuming student and parent contributions as calculated under the need analysis methodology then in effect (that is, no "extra" contributions are assumed), this alternative would in award year 1986-87 have generated sufficient savings to finance fully *all* student need at public institutions, finance the Pell grant program *in entirety* (at $3.6 billion), and still provide roughly $5 billion ($8.6 billion less $3.6 billion) left over—$5 billion that could be used to replace loans with grants, to improve remediation and support services to students, to improve instructional quality, and so on.

One caveat is in order. The simulation, unrealistically, assumed no change in total enrollment levels or in the sectoral distribution of enrollment as a result of the simulated finance changes. As noted above, the net effect of these changes on total enrollment is unclear. Because any need "created" by the assumed tuition increase is fully met with grant aid, however, I believe that the results are likely to be only minimally biased by holding enrollment constant.

Reasons for Federal Involvement

Why hasn't this alternative or some close variant happened? Given the weaknesses shown in most of the arguments for the low-tuition, direct-grant-to-institutions approach and the availability of an alternative that would address the problem of the current approach and, we now see, produce as well multi-billion dollar savings that could be used for other purposes, what prevents change from occurring at the state level?

Besides a possible lack of understanding by policymakers of the issues discussed above, there seem to be three reasons, each of which suggests the need for intervention by an external actor if change is to occur.

First, there is simple inertia. Current practice has been in effect for over a century and is deeply entrenched both institutionally and, as importantly, in the hearts and minds of state residents. And it's the way things are done everywhere—from the perspective of any particular state, that's how *all* the other states do it, creating immense if unspoken pressure to conform. Current practice has become more than a policy; it is a virtually sacrosanct tradition.

Second, there are political difficulties in raising tuitions, even when raises are accompanied by increased need-based aid. Opposition will come from across the political spectrum, even from those who view the low-tuition-for-all approach as the surest way to secure subsidies for poor students. It may be too much politically to expect states to pursue alternatives that require large tuition increases. Especially after a full decade of college price hikes well in excess of inflation,

Federal appropriations from Title IV student aid programs in 1985 were $9 billion versus direct state and local government contributions of $30.6 billion to current-fund revenues of institutions of higher education.

parents and students will be hypersensitive to further price increases.

Third, there is a who-goes-first coordination problem that faces each state. If one state goes first with a large tuition increase, it raises its prices not only relative to the private sector but also relative to all other public colleges in other states—potential enrollment suicide.

The federal government could intervene to overcome this gridlock and inertia, take the heat for tuition increases, and solve the coordination problem by creating positive incentives for all the states to revise their policies at once. But the federal government in turn faces obstacles to action.

There is, most importantly, an appropriate, instinctive aversion to intruding on state prerogatives absent a compelling rationale. There is also no direct political incentive to get involved, since the immediate consequence of the alternative is likely to be screams about higher tuition. Not to mention screams from states to just stay out of their business.

A further obstacle is a broad if unfocused discontent with the need-based, direct aid to students approach. There is a feeling that this system has failed to live up to its promises, has failed to deliver. I do not agree with that assessment, nor do I believe that the facts support it, but the feeling is still real. The charge is that the need-based system has become too complex and administratively inefficient, and that failure of political will and competing resource requirements have reduced grant availability so that poor students are increasingly disadvantaged relative to better-off students. Further reliance on this financing approach would be difficult to sell in many quarters.

A final obstacle is the federal deficit. The overarching deficit problem severely restricts the field for policy initiatives, particularly for options that would solve a problem involving financing by other government levels by "buying it out." And, *under current program rules*, an increase in state tuition levels would lead to immediate increases in Pell and GSL costs. But against these obstacles there are two powerful reasons for federal involvement. First, the current low-tuition/Pell grant "general plan" is not adequate financially for many poor students, in the sense that they have had to borrow ever greater amounts to attend college. Since it has become terribly expensive to raise the Pell award maximum significantly, a new approach other than loans, which are already in disfavor, seems necessary if the government's commitment to the disadvantaged is to be met.

Second, it is the irrationality of current state practice that elicited the ever-more-costly Pell program in the first place—an expensive program whose primary function seems to be to prop up obsolete systems that deliver billions of dollars of unneeded subsidies to well-off students and their parents.

In the midst of current efforts to reduce the federal deficit—I won't dwell on the existence of sizeable state surpluses—it seems highly appropriate for the gov-

The basic approach in trying to change current state practice must be to use the resource base of current title IV programs to create incentives for change.

ernment to try to reduce its aid costs, or at least constrain their rate of growth, and to do so without reducing opportunities for low-income students. As the NCES simulation results indicate, the alternative plan more than meets that test. Indeed, rationalizing state policies would provide *billions of additional dollars* that could be used for additional need-based aid, increased services to students, and increased expenditures for instructional quality.

A Policy Proposal

How could the federal government bring about a change in state practice? It does not, after all, control the states; the Secretary of Education is, thankfully, not a Minister of Education. There is little or no legal leverage in this area on state governments or on state colleges and universities.

One possibility would be simply to kick out the Pell prop, reintroducing the problem of low-income student access to higher education that led to Pell in the first place. Only this time, the government would leave the pressure on the states to remedy the problem. The unanswerable objection to this alternative is that many states might do nothing, leading to further injury to the disadvantaged.

A better response recognizes that, in this policy area, effective government leverage with the states, as exemplified in the State Student Incentive Grants (SSIG) program, is positive and financial. *The basic approach in trying to change current state practice must be to use the resource base of current title IV programs to create incentives for change.* The question is whether a program can be crafted that would help foster adoption of the alternative approach.

One strategy is to make the Pell program part of the solution instead of part of the problem: replace the current quasi-entitlement Pell structure of direct federal awards to students with a discretionary grant program to states, which would then, as in the SSIG program, make need-based grant or work-study awards to students at both public and private institutions. The basic proposal is to turn Pell into a very-much-expanded SSIG program, with a few additional bells and whistles.

The fundamental design problems, flowing from our discussion of current state practice, are 1) how to get states to increase tuitions at public colleges, and 2) how to get states to increase programs of need-based assistance that are targeted on those students most in need. As we have seen, increasing tuition while reducing direct state payments to colleges would generate more than enough revenue to finance more need-based aid, but there is no guarantee that states would use the money for this purpose.

Thus dual incentives—aimed at state tuitions and aid to students—appear to be necessary if the interests of low-income students are to be protected. Indeed, the more important incentive may be for expansion of need-based aid—this may be one of those rare cases in which it makes sense to put the cart before the horse.

Incentives for states to increase need-based aid could be created in several ways. One approach would be to make the new federal program a matching grant with a maintenance-of-effort (MOE) requirement, with allowable match limited to dollars above the MOE level. Since current state need-based aid to students is a little over $1.5 billion, compared with a Pell level of about $4.5 billion, even a generous 75/25 federal-state match accompanied by an MOE requirement would lead to a *doubling* in state need-based spending. (If $4.5 billion were 75 percent of the total, the 25 percent state match would be $1.5 billion—a 100 percent increase over the $1.5 billion state "base" subject to MOE requirements.) A 60/40 match—still more generous than the current 50/50 SSIG match—would yield a *tripling* of state need-based aid and equal federal and state efforts.

What if states refused to match? This seems highly unlikely because of the political popularity of aid to higher education (as opposed to AFDC or Medicaid, to mention two other state-match programs). It is hard to believe that states would resist constituent pressures to provide the necessary match here when the matching rate is favorable to the states and, most importantly, the match could be financed without new taxes, given appropriate increases in public tuitions.

If some states did in fact refuse, after due consideration, to provide matching funds, fine. They would forego funds that would be reallocated among participating states. The non-participating states would also ex-

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particular, I would expect, a rather substantial enrollment decline as many needy students in those states sought lower net prices at schools in participating states. This might induce non-participating states to reconsider.

Another approach, which could be employed in addition to match and MOE requirements, would be to make some portion of the state allocation formula dependent on the relative mixture in each state of grants-to-schools and grants-to-students financing, with more funds going to states with higher amounts or shares of funds being delivered in the form of needbased grants to students. (Presumably, the size of the allocation formula would be to favor such state's grant on its share of aggregate measured student need, similar to allocations of campus-based funds among schools.)

What about providing incentives to increase tuitions? This turns out to be the more difficult design question. On the one hand, to maximize the sensitivity of state grant eligibility to changes in tuition, one would like to limit allowable costs (i.e., costs the grant could pay for) to tuitions. This maximizes tuition sensitivity but fails to address the remaining-cost threshold problem. On the other hand, to address the remaining-cost problem, one would limit allowable costs to non-tuition items. This better ensures access for low-income students, but makes grant eligibility highly insensitive to tuition charges.

The trick here seems to be not to try to force one policy instrument (a single definition of allowable costs) to accomplish two objectives (ensure access by overcoming the threshold problem, create incentives for states to increase tuitions). Instead, the definition of allowable costs or, equivalently, of the resulting student "need" (allowable cost minus expected family contribution) could be different for each objective. To create incentives for public tuition increases, define aggregate need *for the purpose of determining each state's grant allocation* using a definition of allowable costs limited to tuition and fees. However, to ensure access, define need *for the purpose of determining individual student grant awards* using a definition of allowable costs covering all costs of attendance, including such non-direct education costs as room and board and personal expenses.

Other key provisions of the proposed program:

* State eligibility. States would have to use these funds, along with any state match, in a way that did not discriminate between public and private sectors. Further, states could not discriminate in

the pricing of state institutions between in-state and out-of-state students. No tariffs; free trade.

• **Need analysis.** Federal need analysis provisions would have to be used. Without such uniformity, a state could employ more liberal need analysis criteria to pump up "demonstrated" need and qualify for a larger grant.

• **Student eligibility.** Only undergraduates would be eligible. Because graduate students, as discussed above, derive almost entirely private benefits from their education, state subsidies to them should be replaced with self-help aid such as loans or work-study.

• **Award rules.** Some common-sense but non-trivial national award rules would apply. First, to ensure that expected family contributions are not supplanted, awards would not be able to exceed need, equal to the cost of attendance minus the expected family contribution. Second, to ensure horizontal equity, similar students at the same or equal-cost colleges within a state would be eligible for the same award. Third, to ensure vertical equity, at a given college students with more need would have to be eligible for higher awards, but no rule could result in one student, with greater pre-award need than a second student, ending up with less post-award need than the second student.

Other award rules (e.g., maximum and minimum grant, limits on financeable proportion of cost of attendance or of need) would be up to the states, as long as those rules didn't discriminate between the public and private sectors.

This is just the broad outline of a proposal, of course. It is not my intent here to detail a program so much as to illustrate how the current federal resource base could be redeployed to help bring a new "general plan" into being.

Alternative Proposals

One of life's sad lessons is that the programmatically desirable is rarely the politically achievable. The prudent analyst, therefore, considers intermediate or incremental alternatives that may be more palatable to decisionmakers. Here are some alternative proposals that would at least help move state policy in the right direction. Note that each alternative, unlike the proposal outlined above, would by design require additional federal spending.

• **Increase the Pell grant maximum award substantially.** This proposal, in essence, says: if the federal government wants to help poor students, then the federal government should do so. Under this analysis, the Pell maximum award is now so low ($2,300) that it is essentially tuition-insensitive for a large number of students; the way to restore tuition sensitivity is to raise the award cap. With tuition sensitivity restored, states that refuse to increase tuitions in essence forego higher Pell awards to students at state colleges. Making this alternative affordable would probably require significant program reforms (e.g., higher contribution assessments on better-off families, tighter eligibility rules) that have been resisted by the Congress in the past.

> The design of an efficient and effective intergovernmental "general plan" of higher education finance should always be the goal.

• **Increase the Pell grant maximum award substantially; make any award above the current maximum subject to a 50/50 state match.** This proposal is a variant on the preceding one; it would retain Pell as a national program, oblivious of state boundaries, for grants up to the current $2,300 maximum. A higher maximum award would be authorized, however, subject in each state to the availability of a 50 percent state match of incremental award dollars. This alternative is less costly to the federal government but raises a number of unexplored administrative questions.

• **Freeze the Pell maximum award where it is, and allocate any new student aid dollars to the SSIG program.** This proposal, like the preceding one, would retain current Pell resources under the current Pell design to ensure the national availability of a base access grant for all needy students. Any available new resources, however, would be used to expand the SSIG program, thereby increasing state need-based aid spending and, hopefully, encouraging public tuition increases. An interesting variant would be to limit Pell-eligible costs only to non-tuition items while restricting SSIG-eligible costs only to tuition, thus ensuring both the financing of all or a great portion of threshold costs and the full tuition sensitivity of federal matching dollars at the SSIG margin.

Conclusion

Complicated policy areas are complicated, and we shouldn't be surprised when simple solutions turn out to be inadequate. Policy arguments that appear convincing turn out on closer inspection to be misleading if not flat-out wrong; well-intentioned programs that appear well designed in fact have perverse consequences that dwarf intended benefits.

In the area of higher education finance, the venerable policy of charging low tuition at state colleges and universities was found to be obsolete, costly, ineffective, inefficient, and inequitable. An alternative plan of charging higher public-sector tuition, accompanied by an expanded program of need-based aid to students, addresses all of the serious problems of current state practice. Unfortunately, a number of obstacles stand in the way of moving to this new approach. Change appears unlikely without federal intervention of some sort. Redesigning and retargeting federal student-aid programs, particularly the Pell program, could create the positive incentives needed for states to move toward the alternative plan.

The important point here is the need to approach setting policy and designing programs, at both the federal and the state levels, in a context that takes into account both federal and state activities. The design of an efficient and effective intergovernmental "general plan" of higher education finance should always be the goal. One can hope that federal policymakers will approach the upcoming reauthorization of the Higher Education Act in such a Jeffersonian spirit. ☐

Senator JEFFORDS. Maureen.

Ms. GARDNER. Senator, first I'd like to thank you for this opportunity to participate in this hearing concerning reauthorization of the Higher Education Act.

My remarks will be about the Campus-Based Programs Allocation Formula, specifically "hold-harmless." In order to speak to "hold-harmless," I need to provide some history as to how "hold-harmless" became part of our financial aid vocabulary and, more importantly, part of the funding formula currently in the law.

Prior to 1979, funding for campus-based programs was distributed according to State allocation formulas and the Secretary's discretion. During the late 1970's and the 1980 reauthorization of the Higher Education Act, State allocation formulas were carefully scrutinized. Using these formulas, Vermont secured significant funding for the campus-based programs.

However, some States that were dissatisfied with their campus-based aid amounts, wanted to alter their amount for campus-based programs. Under their conception of National Fair Share, Vermont would have lost a significant proportion of its funding in the campus-based programs to other States. These dynamics created a political situation in which the States could easily fight over their size of their pieces of a limited but very, very significant piece of the pie. To preclude such infighting, the concept of "hold-harmless" was created to insure that institutional funding levels were no less than an institution's 1980 expenditures in those campus-based programs. Since then Vermont has looked at the establishment of "hold-harmless" provisions as a major legislative priority.

In 1976, during the last reauthorization, the "hold-harmless" provisions were looked at once again and, indeed, they were updated to reflect an institution's 1985 expenditure level in the campus-based programs.

Now Vermont again looks at maintaining the "hold-harmless" provisions as a major legislative priority. It is extremely important for Vermont that Congress, one, maintain the "hold-harmless" provisions to prevent radical disruptions of current campus-based programs; two, update the "hold-harmless" provisions to reflect institutions' 1988 expenditure level as the base year; and, three, then be able to allocate any funding above the 1988 expenditure level according to National Fair Share concept to address the concerns of other States.

The elimination of the "hold-harmless" provisions presently in the law would result in a significant reduction in funding for a number of States. However, I wish to stress to you today, Senator Jeffords, what it would do to the level of funding for the State of Vermont. Let me share with you in rather general terms, what that impact would be.

Because of previous "hold-harmless" provisions, Vermont's post-secondary institutions expended in campus-based program dollars in fiscal year 1989, $9,740,207; in fiscal year 1990, $9,865,000, a 1.3 percent increase.

Under the National Fair Share allocation and in eliminating "hold-harmless," what would result is the following fiscal year 1991 financial aid losses in Vermont.

Students attending the Vermont State colleges would lose $1,213,276; students attending the University of Vermont would lose $1,384,011; and students attending Vermont independent colleges would lose $2,394,083. Overall, students attending the Vermont post-secondary institutions would lose a total of $4,991,370 or more than half of the total campus-based aid for fiscal year 1989. Vermont's post-secondary schools would be unable to replace this $5-million loss.

Major reductions in funding would have an extremely adverse effect on students currently receiving campus-based funding. Many of our Vermont institutions are heavily dependent upon campus-based aid to provide access for needy students. The vast majority of these needy students are Vermonters.

In our State where there are high tuitions and below national average incomes, students do not have a low-cost alternative institution to turn to. A $5-million loss in campus-based aid could result only in decreased aspiration rates and increased debt burdens.

If the goal in reauthorization is to better target funds to our neediest students, the answer is not through the elimination of "hold-harmless" provision, but perhaps within the individual program regulations themselves. This is where the needs of students can better be addressed.

Thank you.

Senator JEFFORDS. Thank you very much, Maureen.

[Additional information provided by Ms. Gardner follows:]

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March 25, 1991

MEMORANDUM

TO: Senator James Jeffords

FROM: Maureen E. Gardner, Special Assistant for Student Services

SUBJECT: Impact of the allocation of Campus-based on the National Fair Share formula - Based on 1990-91 Funding

The following is a breakdown of the impact of eliminating the "Hold Harmless" provision presently in law and allocating Campus-based dollars based on the National Fair Share formula.

Difference between "Hold-Harmless" and "Fair Share"

	SEOG	CWSP	PERKINS LOANS
Bennington College	-$2,156 -1.3%	+$17,413 +18.3%	N/A
Burlington College	- $4,583 -14.1%	-$28,511 -56.5%	-$16,140 -73.7%
Castleton State College	-206,451 -70.7%	-$202,504 -68.3%	+$6,738 +48.5%
Champlain College	-$123,000 -44.2%	-$128,450 -47.6%	+$1,652 +5.5%
College of St. Joseph The Provider	-$30,776 -64.7%	-$12,166 -39.7%	+$4,116 +4116%
Community College of VT	+$36,115 +111.8%	+$34,428 +59.7%	N/A
Fanny Allen School of Practical Nursing	-$4,479 -77.7%	-$4,268 -77.2%	-$5,440 -95.7%

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	SEOG	CWSP	PERKINS LOANS
Goddard College	-$37,703 -47.6%	-$1,507 -2.8%	0 0
Green Mountain College	-$111,436 -74.3%	-$15,239 -34.3%	+$6,833 +6833%
Johnson State College	-$97,152 -49.5%	-$385,157 -80.3%	+$23,416 +23416%
Landmark College	+$2,231 +38.3%	-$1,334 -20.3%	N/A
Lyndon State College	-$91,223 -62.7%	-$111,821 -63.1%	+$9,976 +431.1%
Marlboro College	-$891 -1.5%	-$4,301 -10.0%	+$7,908 +343.7%
Middlebury College	-$150,040 -65.8%	-$62,527 -25.0%	-$282,752 -85.8%
New England Culinary Institute	+$61,180 +265.5%	+$39,356 +507.0%	+$10,024 +260.8%
Norwich University	-$296,120 -55.2%	-$249,520 -54.4%	-$255,471 -82.6%
Putnam Memorial School of Practical Nursing	-$3,354 -65.3%	-$2,541 -56.9%	-$3,069 -86.4%
St. Michael's College	-$181,118 -66%	-$116,662 -52%	+19,543 -19543%
School for International Training	-$7,781 -38.2%	+$5,093 +6.5%	+$19,301 +19301%
Southern Vermont College	-$20,321 -33.6%	-$35,732 -47.9%	N/A
Sterling College	+$2,590 +26.1%	+$6,863 +370.6%	N/A
The Center for Northern Studies	-$3,539 -82.0%	-$4,106 -89.5%	N/A
Thompson School of Nursing	-$2,529 -49.2%	-$2,051 -38.7%	-$4,371 -83.1%

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Impact of Eliminating the "Hold-Harmless" Provision

VSC	SEOG	CWSP	Perkins
CSC	-$206,451	-$202,504	+$6,738
CCV	+$36,115	+$34,428	
JSC	-$97,152	-$385,157	+$23,416
LSC	-$91,223	-$111,821	+$9,976
VTC	-$136,637	-$88,211	-$4,793
Total	-$495,348	-$753,265	+$35,337
Overall Loss	$1,213,276		
UVM	-$727,068	-$823,629	+$166,686
Overall Loss	$1,384,011		
Independent Colleges	-$1,036,408	-$821,393	-$536,282
Overall Loss	$2,394,083		

In the State of Vermont $4,991,370 would be lost in funding for our students.

Senator JEFFORDS. Ted.

Mr. FRANZEIM. Senator Jeffords, I'm Ted Franzeim, the director of the Grant Programs and Services at the Vermont Student Assistance Corporation, better known as VSAC. In addition to administering Vermont's State grant and student employment programs, VSAC's grant program also administers the title IV programs for seven post-secondary institutions located throughout Vermont. We serve as the institutions' financial aid office and perform the related business office functions.

It is indeed a pleasure to appear before you today to share my thoughts on reauthorization of the Higher Education Act, as it pertains to the title IV programs. From my perspective, reauthorization should focus on four primary goals which include stability, more balance between grant assistance and loans, adequate funding; and restoring public confidence in student aid programs.

Due to time limitations, I'll focus my comments on the first two: Stability and the balance between grants and loans.

Contrary to what some have advocated, I do not believe a major overhaul of the student aid programs is needed. A recent study by the Congressional Budget Office entitled, "Student Aid and the Cost of Post-Secondary Education," indicated that the current student aid programs have been an effective public policy that has provided equal opportunity for Americans pursuing a post-secondary education.

I believe the process, programs, and the people that the programs serve cry out for stability. The last reauthorization, according to many—including Congressman Ford—was one of relatively little change. Yet, if you were to ask those who work with the programs on a regular basis, I'm sure they would disagree.

Numerous changes to the delivery system and programs have resulted in confusion and frustration for students, parents, and aid administrators. Changes which appeared to be on the surface to be minor made a significant impact on the programs and on the forms used to administer the programs. For example, the desire for a free Federal form and a simple needs analysis for low-income students has resulted in a document and process that is far more complex than before. The definition of a student's dependency status with the corresponding questions on the forms to determine that status has caused considerable confusion and delayed processing for many families.

VSAC maintains a toll-free number to provide students and their families with financial aid information to assist them through the process. Of the 50,000 phone calls that VSAC receives each year, more are due to the current self-supporting definition and the corresponding questions than any on other section of the form, or of the entire student aid process.

Current discussions on simplification focus almost entirely on the questions involving family assets, which from our experience, has caused little confusion for families. It is also paradoxical that the exclusion of assets, while trying to be of benefit, may actually increase the family contribution for extremely needy students.

Again, I feel there's a dire need for stability in student aid programs. I'm particularly concerned that uncertainties resulting from instability will discourage prospective students from seeking

needed assistance, thereby becoming a major deterrent for students pursuing a post-secondary education. Stability is essential if we're to have any hope in creating effective early awareness programs.

That's not to say improvements are not needed in some areas. The Vermont Higher Education Councils' recommendations provide detailed technical recommendations to improve the student aid program. The abuses need to be addressed aggressively. Yet, in the broader context, I believe the programs work and they work well.

I also share the same concerns that you and many of your colleagues have expressed over the level of student indebtedness. We must re-examine the balance between grant assistance and various loan programs. It was distressing to learn in a statement by Senator Pell that a decade ago, grant assistance at any time comprised 75 percent of a student's typical aid package, compared to only 25 percent today.

I believe that grant assistance should be the cornerstone to the student aid programs. I do not, however, believe that front loading of grants during the first 2 years of a student's academic program is a good public policy. The student, as a primary beneficiary of the education, should be willing to incur some level of self-help during the first 2 years of study. If the public is willing to invest in students, I believe it's reasonable to expect students also should be willing to invest in him or herself.

If the primary reason for front loading grants is to reduce defaults, it would appear there would be other alternatives which the Federal Government could better address that issue. It would also appear, in view of the current need to significantly expand grant assistance at a time of scarce resources, Congress should consider alternatives to increase the availability of grant assistance. One alternative would be to encourage or provide States with incentives to expand need-based student aid programs. Currently, States provide over $50 billion in support for higher education, yet less than 5 percent of that support goes into need-based student aid.

The CBO report raised the question, should the Federal Government do more to encourage States to expand need-based student aid programs? The report asserts that student aid provides the best vehicle for promoting equal opportunity. Vermont leads the Nation in this approach to financing higher education; yet, even in Vermont, less than 20 percent of the State's general fund for higher education goes into need-based student aid.

How has this approach worked? You be the judge.

Vermont spends less on higher education than any other State in the Nation. In per capita terms, it ranks 49th; yet, Vermont's aspiration and continuation rates well exceed the national averages.

New Hampshire spends 23 percent more in support of higher education. Yet, according to information we received when we conduct financial aid nights in New Hampshire border schools, Vermonters have more access to higher education than New Hampshire residents.

Maine also spends 227 percent more in support for higher education than Vermont. The Maine Legislature was extremely interested in the Vermont's model and recently established an agency similar to VSAC.

I mention this to suggest that Congress consider——

Senator JEFFORDS. Excuse me. Is that per capita?

Mr. FRANZEIM. It's total expenditure.

Senator JEFFORDS. They're twice as big and so it's still 100 percent bigger?

Mr. FRANZEIM. Exactly. Wyoming, which is basically the same size, spends more than double Vermont. I mention this to suggest that Congress consider using the State Student Incentive Grant Program as the vehicle for the Federal Government to increase grant support for students.

The SSIG program was successful in creating State supported student aid programming, but it has not been used to encourage States to expand their need-based student aid programs. Funding currently for SSIG is 32 percent less in constant dollars than it was 10 years ago. The program should be structured so that new Federal dollars coming into the State would have to be matched to encourage additional State dollars be allocated for student aid.

Additional incentives could be incorporated to achieve additional desired Federal outcomes. History has indicated that Federal incentives have been effective in increasing state support for desired programs. In instances where the Federal Government has provided financial incentive, States have responded. States are also grappling with fiscal deficits of their own and expenses. The SSIG program would provide States with such an alternative. Reauthorization provides us with the opportunity to step back, review, and hopefully improve the Higher Education Act.

As we celebrate Vermont's bicentennial, I'm amazed at the many contributions Vermonters have made to the Nation. I read a recent article that the State of Wisconsin, 9 of their first 18 governors were native born Vermonters.

I wish to thank you, Senator Jeffords, for keeping that tradition alive by seeking input from Vermonters. I thank you for your support and assistance.

Senator JEFFORDS. Thank you very much. We are a great exporter here in Vermont. Why we have had more presidents per capita, more vice-presidents per capita, and we can go on. That's not very relevant today.

You've run through your 30 minutes, but we're going to expand that because you're a very important panel to me. I am concerned about the needs analysis situation, and do you think it acts as a discouragement to people applying? Do you think, it is a detriment? A complication of that?

Ms. GARDNER. I think for some it is. I think particularly when we talk about first generation college students because the form itself, somewhat like an income tax form, can be perceived to be very threatening.

Now, here again, certainly financial aid officers and certainly a lot of the VSAC outreach staff have done a wonderful job working not only with students but with parents. And I think that, too, is necessary because we find in Vermont that a lot of times education is a family affair, if you will. It is not just that students, but, I think that there are certainly pieces of that in the form itself.

Mr. FRANZEIM. I think from my perspective, I think there have been a lot of things that have been added to the need analysis doc-

uments. There have been a lot of circumstances, the displaced homemaker, draft certification statement, and I think the question regarding the dependency status made the form more complex than they need to be.

I think you can go back and actually recreate a form that isn't as complex. It wouldn't be as cumbersome. I don't think it would be an obstacle.

Senator JEFFORDS. My own opinion is that we made a mess after we changed the age of majority to age 18. The parents aren't legally responsible even though they're only 18.

Let me ask you another specific question: How does the 30-day delay disbursement affect students or institutions? Has that been a problem for you?

Mr. LACASCE. I'm speaking without the authority of my financial aid officer, but I think generally, no. And I think that that's one of the areas that can help cut down on some of the early default problems. And that it is, although it does provide a strain, it's something that the institutions, even small ones such as ours, can cope with and I think it's a perfectly legitimate thing to do.

Senator JEFFORDS. Fine. I believe that just looking, too, to the future again for a while, we did not make guaranteed student loans well related to the family's assets at all. I personally feel that's the way we should go on that for the simple reason that I don't think that hardly anybody in those upper categories have defaulted on the GSL. Also, I don't think that it is a problem area, and yet we created an awful mess to go through. I know Bill Ford agrees with me on that.

Just a couple of comments on the GSL program, the Stafford loan. When I talk about defaults, and I'm talking about Stafford loans, I call them GSL. The experience has been great actually with the default records. When you spoke earlier regarding some problem areas you had some suggestions. When you realize our record is better than most banks and twice as good as VISA or Master Charge, etc. there's really nothing to be ashamed of. It's just that we have so many loans outstanding. The total number of defaults looks huge. Actually, percentage is excellent. I don't get excited about that. It's a budget problem that we have.

Do you think that there's some discussion to make Pell grants tuition sensitive? Do you think that's an area for consideration?

Mr. FRANZEIM. Do not exceed tuition?

Senator JEFFORDS. Yes, sir, in that sense, the greater the tuition.

Mr. FRANZEIM. My personal point of view, that makes a lot of sense.

Senator JEFFORDS. Do you have any comments?

Mr. LACASCE. I really didn't think very much about it. My initial comment would be that I agree with Ted on this.

If you make it tuition sensitive, it could have the effect of simply grabbing at tuition. If the feds are going to pick up the bill, why not raise the tuition, and I don't think that's particularly the way to go.

Senator JEFFORDS. I also want to make you aware that I believe President Bush is thinking about doing away with SSIG. I would agree with you, but we do have some formidable opponents on that.

Mr. LACASCE. We haven't had a chance as an organization to talk about your Early Intervention bill, but that could perhaps expand the political base for support of that program. And I think it has merit on its own, but I also think that could help them and expand that program.

Senator JEFFORDS. I agree, and hopefully we're going to use it for that advantage as well as the other advantages.

Thank you very much. You know I'll be in touch with you for more discussions and dialogue. I do appreciate your being here today.

The second half of the panel includes Nelberta Lunde, Donald Honeman, and Sue Carp. Nelberta, please go ahead.

Ms. LUNDE. Senator Jeffords, thank you for the opportunity to participate in this hearing concerning reauthorization of the Higher Education Act.

The Educational Amendment of 1986 eliminated the ability of parents and students to substitute the Stafford Loan (formerly the Guaranteed Student Loan) for the family contributions, thereby eliminating a major source of student aid for middle-income families.

In place of the former Guaranteed Student Loan Program with the substitution benefit, Congress created the Parent Loan Program (PLUS) and the Supplemental Loans (SLS) Program. These progams were designed to help parents and self-supporting students meet their expected contributions.

Unfortunately, in some cases, repayment terms, credit checks, and inability of some families to obtain SLS/PLUS loans have not always made the programs a reasonable slternative to the former Guaranteed Student Loan Program for middle-income families.

While many families do benefit from the PLUS program, there are others who are still left without a means of meeting their full family contribution. Many families use the PLUS loans to help them get through a poor cash flow situation. They just don't have the cash to pay up front for their education. The current $4,000 per year per student limit helps those who happen to have the $4,000 expected parent contribution, but many families have contributions in excess of this amount. At St. Michael's College, for example, the average family contribution for next year's freshmen with need is an estimated $7,800?

Senator JEFFORDS. $7,800?

Ms. LUNDE. $7,800. A $4,000 PLUS loan will help, but many will still have a difficult time coming up with the balance of the family contribution especially if they have more than one child in college as families do at St. Mike's. We recommend that the PLUS loan limit be increased from the current $4,000 per year per child to $10,000 with a cumulative debt per child of $50,000.

I also recommended that dependent students be allowed, based on the professional judgment decision of the financial aid administration, to borrow on the SLS program in addition to PLUS program. SLS loan limits for dependent students might range, for example, from $3,500 for freshmen to $5,500 for upper classmen. Dependent students would be required to first borrow a Stafford loan. In this way, if the student is only eligible for $2,000 based on need analysis, but still has need for additional funds to meet the student

contribution, he or she could borrow through the SLS program, too, for this additional need, based upon the professional judgment decision of the aid administrator. They shouldn't be allowed to borrow on the SLS for any purpose.

If dependent students are allowed to borrow on the SLS program, it would be desirable that the applicant have to file only one document to determine eligibility for all programs and for the generation of all paperwork necessary for the delivery of these programs to the students. The borrower, however, should also have to take some specific and recognizable step to complete a borrowing transaction; just shouldn't sign a paper and get the money. To accomplish this goal, the financial aid community should be encouraged and supported to work toward a core of common loan application data elements. The delivery system must also become more flexible to allow for diversity of guarantor systems, and every effort must be made to simplify the process for the borrower, school, and lender.

With the increased debt burden being assumed by both students and parents, options must be provided to allow for manageable repayment of loans. It is recommended that longer periods of repayment be allowed to ensure that the monthly payments are within manageable levels of family's financial resources. The failure to do so would only compound the already increasing default problem.

In addition, we recommend that lenders be mandated to offer graduated repayment options. Many families have not prepared sufficiently for their children's post-secondary expenses. For many, the shock of financing a post-secondary education out of current earned income is overwhelming. For this reason, some kind of long-term loan program does need to be available. If we're not going to allow parents to borrow through a subsidized loan program such as the Stafford Loan Program, Congress should at least allow the interest paid on PLUS or SLS loans to be tax deductible. That might not be in the Higher Education Act, but I put that in. It's currently—correct—loans on home equity which are not always available and not always the best alternative to the family.

Again, thank you for the opportunity to speak here today——

Senator JEFFORDS. Thank you very much for being here. I'm very interested in those programs and I appreciate your testimony very much.

Senator JEFFORDS. Don, we'll hear from you now.

Mr. HONEMAN. Thank you, Senator. I'm Don Honeman. I'm the director of financial aid at the University of Vermont. I'd like to share a few comments on the need analysis and particularly in the ways that it relates to the situations of middle-income families that we deal with.

I have—let me say at the outset, I agree with Ted Franzeim that it's critical with my view that we keep some stability in these programs, not for the future's sake, but because the program is working. I think it's one of the Federal initiatives in the last decade that's been successful. I think what we need to do is make sure the program continues to work and, perhaps more importantly, that they maintain credibility with our public. With that in mind, I'd like to share a few thoughts about the Congressional methodology

and, finally, some specific recommendations I have with regard to the methodology.

As you know, the 1986 reauthorization had an impact on the population that we deal with. But probably the watershed of that was the development of the Congressional methodology and the codification of that into law. While I know that was done in order to ensure that the Congressional intent was made in determining students' eligibility for aid, I think it had some fallout that was intended; in particular, the methodology become less responsive to the changing economic climate and certainly less sensitive to the formulae involved in providing the information that's required on the application form.

With that in mind, it would make some sense to get the technical pieces of the methodology out of the statute. How do you continue to have the Congressional intent with regard to aid eligibility taken into account while not having the methodology in the statute? It seems to me that this could be done by having the Congress outline some broad parameters with regard to need analysis, some general principles, and then allowing them to be implemented by the Student Aid Advisory Committee or some other group that's constituted in some other way so the Congress wouldn't be involved in micro-managing a fairly technical system.

Senator JEFFORDS. Would you agree with that, Nelberta?

Ms. LUNDE. Yes.

Mr. HONEMAN. Again, the Congressional methodology is to determine—for determining eligibility. What VSAC uses is a modification of it. We use it at the institutional level for determining eligibility for institutional payment, so it should remain flexible so we can all use it for the purposes that we have for utilizing our own funds. Having the methodology updated infrequently and only by changes in the law really makes that a difficult tool for us to work with with any flexibility.

That's some general thoughts about methodology and the fact that it's been codified into law. If the Congress insists on keeping it law, then I have five particular recommendations with regard to the methodology that seem to us to be particularly problematical as we work with middle-income families, in particular, and the balance of my remarks will be divided to those specific recommendations relating to the methodology itself. These are fairly technical when we talk to the family about how we assess their ability to finance a college education. These are areas that I found are particularly difficult to explain to families and to justify to them.

The first relates to the standard maintenance allowance and that's the allowance that the methodology uses to determine what a family's basic expenses for housing, clothing, and feeding a family for a year are. That standard allowance is based on the Bureau of Labor Statistics Lower Living Standard. An awful lot of the families that we deal with are from middle-income families. And when we explain to them what they're based on, they tend to be horrified that they're expected to live, house, clothe, and feed their families on the basis of that standard. So it seems to me that that's one piece of the methodology that might be reconsidered.

The bureau has a middle-income standard of living that has a mechanism. You need to understand that if we make any change

in that, it would result in an across-the-board decrease in what families are expected to contribute. To acknowledge that families need more assistance and not do anything about the funding level is a cruel irony at that time. It's one of the pieces of the methodology.

The second definition is the definition of self-supporting students. It is a problem because the definition is so convoluted, it's almost impossible to record all of the information to get through the definition on the self-supporting student. So it seems to me that that's a concern to address. Maybe we could classify as emancipated those students who are 25 years of age who have dependents of their own or who are veterans and allow the financial aid officer to make exceptions to that. It seems to me to be a problem.

The third is the consideration to parents enrolled in college. If parents are enrolled in college concurrently with their students, the methodology now allows them a real break. It seems that the family expenditures for the parents in college are going to be roughly the same as those with students who are in college. In fact, we find that often parents are reimbursed by their employers for their college expenses, and we almost never find that parents' expenses are as great as they have to undertake for their children. So I think that's a flaw in the methodology that has to be addressed perhaps by removing those unreimbursed expenses for their own in college.

Fourth, dependent students earnings, the methodology that 70 percent of the student's prior year earnings be contributed to the cost for the following year. So a student's 1990 summer earnings theoretically need to be saved to the tune of 70 percent until September 1991. We don't think it's realistic that students are able to do or in reality to save for that period of time and certainly not at that percentage rate.

Fifth and finally, I have a concern about the employment allowance for two working parents. The methodology takes into effect the national expenses that two working parents incur in order to maintain jobs for both of them. Ted Franzeim told me that—VSAC told me in 1980 about 54 percent of the applicants came from families with two working spouses. By 1989, that was up to 80 percent. So this allowance that's provided for two working spouses is clearly a critical part of the methodology; yet, from 1980 to 1989, the allowance only increased from 2,000 to $2,300. That's hardly commensurate with the increases that families have incurred over those years.

Those are five particular critical pieces of the methodology that the Congress could review at this time.

To close, it's important that we recognize that fundamentally title IV programs are working. We probably shouldn't think of a major overhaul, but some very substantial tinkering is in order to keep them credible.

[The prepared statement of Mr. Honeman follows:]

PREPARED STATEMENT BY MR. HONEMAN

Good morning. My name is Donald Honeman and I am the director of financial aid at the University of Vermont. Thank you Senator Jeffords for providing me and my colleagues in the student aid field with the opportunity to spend a few minutes

this morning sharing with you some of our observations about the impact of the title IV student aid programs on middle-income families. These families who are struggling with the challenges of financing a college education in the 1990's are facing hurdles which sometimes seem insurmountable to them. May I say at the outset, however that it is my belief that the Federal student aid programs are among the most successful of all Federal initiatives in the past several decades. Because of these programs the goal of college access for all deserving students has largely been achieved. So the suggestions I offer today are made in the spirit of assuring the continuing success and credibility of these programs—not for the purpose of recommending their fundamental overhaul.

While I am most familiar with the impact of Federal financial aid policies at the University of Vermont and at public universities in Massachusetts and Maine where I served previously, I will try to make my remarks general enough to encompass the concerns of a broad spectrum of students and families who need financial assistance in order to afford attendance at any type of post-secondary institution.

The 1986 Reauthorization of the Higher Education Act resulted in a variety of reforms which affected the families with whom we work regularly. The watershed event of that year, however, was the codification into law of the formula for determining family ability to pay for a college education. The product of that initiative is what we now call the Congressional Methodology. Putting the methodology into statute was in part designed to ensure that Congressional intent was followed in determining eligibility for Federal aid. However, the resulting structure has, unfortunately, lacked the flexibility required to ensure that it remains a reliable mechanism for accurately measuring family ability to pay. While the methodology is fundamentally a sound and consistent form of measurement, it nevertheless needs to be more responsive to changes in the economic climate and more sensitive to the difficulties families have in providing information on the application form.

To be sure that flexibility and responsiveness are inherent in the system for analyzing family ability to pay, it might make more sense for the Congress to outline a broad set of need analysis principles or parameters which reflect your funding priorities. The Student Aid Advisory Committee or a similarly constituted group could then make appropriate technical changes to the methodology as needed. Changes recommended by such a group could be subject to Congressional review but the Congress would not have to engage in the micromanagement of such a technical system. The Congressional Methodology lies at the heart of the financial aid eligibility system for Federal and often State and institutional funds as well. That makes it critical that the system reflect as nearly as possible the real ability to families to pay for college expenses. Otherwise it will be perceived by families as a rationing device, or worse yet, as an artificially contrived obstacle to college attendance. All of this argues, in my mind, for de-politicizing the maintenance of the formula to the greatest extent possible.

The balance of my remarks will be devoted to some thoughts about the methodology itself. In working with families applying for financial assistance, it has been my experience that those families from the lowest income ranges and those in the much higher income brackets are generally able to meet the level of contribution calculated for them by the methodology. The group for whom payment of the contribution calculated by the Congressional Methodology is most difficult appears to be those families with moderate incomes, modest home equity, little savings and few borrowing options. For this group to make their contributions from current income is especially difficult. These are also the families that protest most vocally to us about their difficulties in keeping up with the demands of college financing.

When working with these middle-income families, I have consistently found five particular features of the Congressional methodology especially difficult to defend.

(1) *The Standard Maintenance Allowance.* The Standard Maintenance Allowance is designed to accommodate the costs of housing, clothing and feeding a family for a year and is based on the Bureau of Labor Statistics Lower Living Standard. Since most middle-income families are living on a reasonable middle level standard, consideration of using the BLS Middle Living Standard as a basis for the allowance might be more sensible. An alternative might be to adjust the progressive taxation rate schedule for families in the middle-income group. However reasonable either of these alternatives may seem, we cannot lose sight of the fact that such a modification would result in lowering the amounts which families are expected to contribute to college expenses. To acknowledge that families need more assistance while leaving the current level of available funding unchanged would be more of a cruel irony than a sensible reform.

(2) *The Definition of Self-Supporting Status.* The convoluted system for classifying students as dependent on their parents or self-supporting is difficult to understand

and almost impossible to record on the current application form. Simply designating as emancipated those students who are 25 years of age, have dependents, or are veterans and allowing financial aid administrators the discretion to make exceptions in extraordinary cases would simplify the application form, provide an understandable definition, and still remain sensitive to unusual circumstances.

(3) *Consideration of Parents Enrolled in College.* The existing methodology allows parents enrolled in college concurrently with their children full consideration when dividing available family resources among family members enrolled in post-secondary programs. We find that the parent's college expenses are frequently reimbursed by employers and almost never are great enough to warrant the reduction in parental contribution that results from their inclusion in the calculation. A more reasonable approach would be to simply offset the family's annual income by the amount of unreimbursed college expenses incurred by the parent.

(4) *Dependent Student Earnings.* The methodology now requires that 70 percent of the student's own prior year income be assessed as a resource available for college. This requirement has had two unintended consequences. The first is that students feel that they are being penalized for working; in some cases I believe that students may not work to the extent they otherwise might in anticipation of the 70 percent taxation of their earnings for college expenses. The second, and probably more valid concern is that the expectation that students hold onto their summer earnings for more than 12 months (and 70% of the earnings at that) is simply not realistic. Either reducing the percentage of earnings which must be saved or reverting to a standard summer savings expectation would remove the disincentive to working and would be a more realistic expectation.

(5) *The Employment Allowance for Two Working Parents.* In 1980 approximately 54 percent of applicants for assistance from the Vermont Student Assistance Corporation came from families with two working parents. By 1989 fully 80 percent came from two income families. The allowance utilized in the methodology for the expenses incurred by two working spouses is, therefore, far more critical today than it was even 10 years ago. Yet the so-called employment allowance has only increased from $2,000 to $2,300 since 1980. That's hardly consistent with the increase in the costs incurred by these families during that period. A significant baseline increase to this allowance coupled with annual adjustments consistent with the Consumer Price Index increases would seem to be a reasonable way to accommodate the fact that so many middle-income families have both parents working to try to keep up with escalating college costs.

Other features of the methodology which are problematical include the Dislocated Worker and Displaced Homemaker classifications, the treatment of Veterans benefits, and the so-called simplified methodology (which has, ironically, complicated both the methodology and the application form). Since the financial aid administrator may make judgments about unusual circumstances, cluttering the application form with questions pertaining to small groups of applicants such as these tends to be both redundant and confusing.

In closing I'd like to thank you again for giving me the opportunity to address you this morning. I hope that these remarks are helpful to you in evaluating the effectiveness of the student aid programs as you consider their reauthorization. The goal of providing universal access to a college education has been realized in America largely thanks to a successful collaboration among the Federal Government, State agencies, colleges and universities, and finally students and parents themselves. Unless we maintain the confidence and support of each of these partners, we may well return to the unhappy State when many of our best colleges and universities are once again enclaves for the well-to-do. Thanks to your leadership, Senator, and to the commitment of all of us to the higher education partnership, we will be able to continue to assure all students and their families that a quality college education is not beyond the reach of any of our citizens. Thank you.

Senator JEFFORDS. Thank you. Thank you very much for your comments.

Ms. Carp.

Ms. CARP. Thank you for having me here today. My name is Sue Carp and I am a student and spokesperson for the Vermont Student Concerns Committee. We're a group of students from 12 of the 17 independent colleges in Vermont and we came together because our mutual concerns about the future of funding for higher education.

As funds are decreasing for us, we're seeing higher tuition costs that are limiting our choices for the schools that we chose to go to. We also see that the focus for the funding should be on the student. I've heard many people talk about the increasing budgets and budget cuts from independent colleges and that students can't go to that college. Different students have different fears, and we're all separate individuals and we believe that we should help the funding in the situation that would be the best for us, and where we can get the most of our education and most return on our investment.

We also have concerns about front loading the Pell grants to the first 2 years of our education. With our various factors with our education, I believe we need some stability and some security in knowing that we're going to have any stable ratio of grants and loans especially for four-year students.

As a 2-year student at Champlain College right now, I am also a success this year. I will be graduating. I'm a single mother of a 14-month-old boy and I believe incapable of covering my tuition. My options are limited in choosing my school to continue for my bachelors. The future is uncertain for me. I'm hoping that my eligibility will cover my tuition costs in the future.

So as students, we're taking it year by year. We can't necessarily count on continuing our education. I have friends that haven't been able to continue their education because their eligibility has dropped or they haven't been able to earn as much over their balance.

The forms are also intimidating and the Vermont Student Concerns Committee as a group has felt that is such an important issue that in the future we're planning to develop a speakers bureau and offer our services throughout Vermont. We have students all over Vermont and so our availability would be widespread. As current students in higher education, we felt we would have a lot of knowledge to offer these students plus the common factor of going through the experience ourselves and having been there. The forms are difficult and that can deter some students from even trying financial aid.

I guess that's about all.

[The prepared statement of Ms. Carp follows:]

PREPARED STATEMENT BY MS. CARP

I would like to thank you for the opportunity to offer testimony on the issue of the reauthorization of the Higher Education Act.

My name is Sue Carp and I am the spokesperson for the Vermont Student Concers Committee. We are a group of student representatives from 12 of the 17 independent colleges in Vermont. We came together because of a common concern that we have about the future of funding for higher education.

There are many discussions taking place in all different areas of government, State and Federal, that are hinting at solutions that include increasing budget appropriations only to public colleges and universities. This would be to the demise of the private sector of post-secondary education. We believe that the focus of the grant and loan programs should be reemphasized—"The Student." If the private sector is limited, so are the opportunities for the students whose needs would be best met by the unique characteristics of individual institutions. A point to stress is the increasing burden that would be placed on the facilities and resources of the public colleges and universities. These schools are already close to, or exceeding, their capacity.

In comparison, the idea of offering to cover total tuition costs for students attending the public colleges and universities is likely to have similar effects. The public sector would be overburdened and the private sector would receive fewer grant and loan dollars. This creates a cycle, which once started is probably going to be close to impossible to stop. Fewer grant and loan dollars cause an increase in tuition at the private schools. Students just clearing the expenses are then forced to leave. Fewer dollars coming in cause another tuition increase. Where will it end? Who will stop it?

In Vermont, the Vermont Student Concerns Committee is lobbying the State Legislature to gain attention to the issue of funding for higher education. We speak frequently of the Vermont Student Assistance Corporation because VSAC has focused on the funding needs of students. When applying to VSAC for grants and loans, it matters little what institution has been chosen. The money is distributed on a need basis—not institutional need, but an individual student's needs.

We strongly believe that the freedom of choice needs to be preserved for the student that is looking to post-secondary education. Financial barriers for low-income and middle-income students and their families is causing a vast amount of waste. The waste exists in the students that could not finish the post-secondary education that they had started. The students that could not attend the institution of their choice, due to lack of funding to pay the tuition and costs. Perhaps those students would have achieved greater success if they had been able to participate in the program of their choice. There are many that are so intimidated by the overwhelming process of applying to schools and then tending to their funding needs, that they don't even get started. The process is supposed to be an investment in the future. Is this accurate? It seems more accurate that a true investment would be looking for the returns to be obtained further in the future than just a couple of years. The earning power of a person with a college education, or post-secondary skill training, has been proven in the past.

An issue not mentioned very often is the increased mental health that can be achieved by the pride and comfort of having a career job that can support a family. The future children of these graduates will also have role models that they can legitimately aspire to. I can speak of this issue personally, as I am the single parent of a 14-month-old boy. I am a recipient of ANFC and had absolutely no hope of being self-supporting without college education. I will be graduating from the Associate's program at Champlain College in May of 1991, and will be sitting for the CPA examination in the same month. Vermont allows for certification with only 2 years of education, but I want to be able to succeed, for myself and my son. I have now applied to the Bachelor's program at Champlain. It makes me very proud to know that some of my son's first memories will be of "mommy going to school." Without financial aid, and the ability to choose a program that fit my needs, I would have a very dim future. I will now have the opportunity to put back into the system that has invested in the future of myself and my son.

Outreach services are an invaluable asset to the grant and loan programs. The financial aid forms are difficult to understand. The directions are complicated and there are many conditions which must be traced throughout the forms. Support services offer much needed assistance to applicants. It is always easier to push the forms aside and neglect them without the consequences of that action being known at the time. The Vermont Student Concerns Committee feels so strongly on the topic, that we have plans of offering our services to Vermont elementary and high schools. We would like to know that students are not losing an opportunity that so many others are receiving. With regard to front-loading of the Pell grant to the student's first 2 years of school, it becomes discriminatory in many ways. Low-income, lower-middle-income, and middle-income seem to suffer each time there is a policy change. We urge the policy makers to look into the future. The true test is not what the figures look like next year. The true test is the financial situation of the student in post-secondary education. All of the Budget Analysis available will not pay the existing debt of students, or help those that were forced out, to be able to return.

Once again, I want to thank you for this opportunity and leave you with the thought, "The funding is for the student."

Senator JEFFORDS. I appreciate the three of you being here. In this sense, I'm always in a terrible situation where we run out of time before we have much time for questions. So I would like to submit some questions to you which you could answer in writing. We'll try to make them short and brief. I would like some input. Sort of relative to Sue, in a way, I'd like a comment or two on

being a nontraditional student. We do have a lot of parents coming back in who have children. Are there large differences in financial necessity and aid that are not built into our present program for the nontraditional student?

Do you have any comments on that Don or Nelberta?

Mr. HONEMAN. Let me just say very quickly that the methodology, again straight self-supporting definitely depends on whether they have dependents of their own or whether they are single self-supporting students. Those students, nontraditional students who have dependents of their own, have their own families, are treated in the same way in the methodology as are the parents of dependent students, which is to say we make the same assumption on the family assets and the treatment of those that we do on dependent students.

What that has resulted in are fairly small contributions from those self-supporting students and correspondingly large need for those students. Our problem is that we don't have the funding available to meet those large needs that come out of the methodology for self-supporting students with families of their own; none.

The title IV programs are designated specifically for nontraditional students so we're put into a position where we have to use limited resources across the board for both dependent and self-supporting students. And given the limitations on those funds, that often leaves the self-supporting student with unmet needs.

Ms. LUNDE. I agree with what Don said on that. Also you have to take into account the nontraditional students, they have a lot of different expenses than ordinary students, traditional students. They have child care, they have transportation expenses because they don't live on campus, they have to—you have to build special budgets for them and they're often quite high.

Senator JEFFORDS. Is there anything in the funding proposal that looks at the nontraditional student?

Ms. LUNDE. I think it depends on the school. Some schools have enough funds to do that. I don't think a lot of them do. It takes a lot—lots of additional funding. You try to not load them up on any extra loans. We don't have a lot of nontraditional students in our undergraduate students; some schools do.

Senator JEFFORDS. Sue, do you need more flexibility for yourself as you compare yourself with others?

Ms. CARP. I need my own flexibility in my own role. As I said, this year I was a success. Certainly, next year might be different. Tuition is going up and the scheduling is different. There's also a program outreach that covers my transportation costs and my day-care costs. That's also the reason I can attend. It can be very stressful.

There are many different needs and expenses, especially for a single parent going back to school. There are also households to maintain. It's not just an apartment where you can—you run back to the apartment. You have a home and you wear many different hats. I believe there has to be more flexibility. I am at Champlain with their single parents program and it has been a plus and it has been very valuable.

Senator JEFFORDS. Yes, Don.

Mr. HONEMAN. If I can just offer one thought about the loan burden that have to be undertaken by older nontraditional students. At UVM, we find that self-supporting students have to borrow quite a bit more than dependent students. Often these student are older, 30's or 40's when they graduate from college. They don't have as much time to pay back the loan as do the traditional 22-year-old graduates. Given the fact that their needs are greater and therefore their loan burdens are higher and less time and opportunity to pay those loans off—they often have family obligations right off the bat that dependent student don't have—it seems to me that there's an intrinsic problem here that needs to be addressed in some other way than a loan burden for those students.

Senator JEFFORDS. I agree with you and I want to know what we're doing to take a look at a new situation that we haven't studied.

Again, I thank you all, but I will be back and especially you, Sue, I would like to continue a dialogue with you and your group. I think it would be important.

We'll take a break now.

[Recess.]

Senator JEFFORDS. I'll call the hearing back to order, and our next witnesses are Charles Bunting, Chancellor of the Vermont State Colleges; Don Vickers, executive director, Vermont Student Assistance Corporation; Molly Burke, president, Vermont National Education Association; Joanne Tenny, student, Northfield High School; and Mary Leahy, Adult Basic Education Office.

Go ahead, Mr. Bunting.

STATEMENTS OF CHARLES BUNTING, CHANCELLOR, VERMONT STATE COLLEGES; DON VICKERS, EXECUTIVE DIRECTOR, VERMONT STUDENT ASSISTANCE CORPORATION; MOLLY BURKE, PRESIDENT, VERMONT NATIONAL EDUCATION ASSOCIATION; JOANNE TENNY, STUDENT, NORTHFIELD HIGH SCHOOL; AND MARY LEAHY, ADULT BASIC EDUCATION OFFICE

Mr. BUNTING. I'm pleased to be with you this morning, especially to provide comments on Senator Jefford's proposed Early Intervention program. The bottom line is that this proposal represents a major breakthrough in achieving meaningful access and educational opportunity for at-risk youth in our Nation. I will speak both to the need for legislation and comments to several specifics.

Along with several others in this room, I have invested a good part of my professional life to a goal of achieving meaningful access to higher education for younger and elder students. A couple of achievements that Trio support programs and other initiatives are essential societal investments toward that goal. Also, I am proud of Vermont's record of increased participation in college by high school graduates, and indeed, the majority of all Vermont students in the Vermont State system, young and old, are in the first college-going generation in their families.

Despite these gains, we must also admit to the limits of our progress in achieving meaningful access in providing equal educational opportunities to all our youth. The fact is that higher educa-

tion, viewed as a commodity, continues to be distributed very unevenly across our society.

Research tells us that in the late 1980's, a young person from a high-income family was about ten times more likely to earn a B.A. degree than a young person from a low-income family. Further, research finds a very high correlation between the high school graduate's activity after school—whether or not he or she attends college—and characteristics of the parents such as their own educational level, their expectations for their child, and family income. Put another way, the odds for advancement strongly favors those from high-income backgrounds and disfavors those from low-income backgrounds. Nor has the gap between the two diminished.

Why have these trends persisted so stubbornly? Why has a college education remained an elusive goal for so many, especially within our Nation's and State's at-risk youth population?

I believe we have been naive to place so much of the emphasis of our access strategies at the point of college entrance, or well into the high school years through programs such as Upward Bound and Talent Search. We have ignored the powerful effects of earlier realities: The difference in the home if schooling was an experience of failure or frustration for parents; the family's fear that college costs will be prohibitive; the message some kids receive in early grades to the effect that school and learning is not for them; the uninformed choices made in eighth grade for them of weak and inappropriate high school programs or tracks.

These are just examples, but the point is this: When our Federal and State programs of student assistance "kicks-in" for low-income and at-risk youth at the point of the college-going, a great deal of process has occurred many years before which profoundly influences who is and is not at the college door.

The concepts of early intervention, as codified in Senator Jeffords' bill, is a very significant and crucial response to this disturbing reality. It holds the promise for providing to at-risk children several important tools—assurance of future financial access; accurate information and advice about the future; important mentoring role models; and academic support and assistance—all of which those of us in more fortunate circumstances take for granted. It holds the promise for bringing us far closer to the unrealized dream of equal educational access and equal opportunity.

In general, I find the current version of the Early Intervention bill to be quite strong. I believe its very comprehensiveness—including as it does tuition assurance, the contract agreement, mentoring and advising, support services, summer services, needed school and college collaboration, evaluation—is one of its key strengths. This comprehensiveness encourages and invites diverse and integrated program responses

A second particular strength, in my judgment, is the proposed Federal/State collaboration incorporated in the current version. Beyond the shared financial burden, for example, Federal sponsorship can assure meaningful portability on a national level, while State sponsorship is far superior in order to accomplish the program objectives.

I frankly find little to criticize. Instead, I would enthusiastically press for a broader concept or for even greater emphasis on certain points in the draft. Let me be more specific:

First, investment and return. Would there be a way to tie increases in the student's tuition account, if you will, with persistence in the program or accomplishment of goals? It seems to me that the concept of building an account over time may be useful.

Second, a long-term bank account. If there is an agreement on this point, I recommend that the language make clear that the student is not a "lock step" from high school through college. Rather, the individual may tap his tuition account over an extended period of time. We increasingly recognize that individuals will take best advantage of post-secondary education at different stages of their adult and work lives. Additionally, it may be helpful to make clear that the bill envisions the full range of eligible post-secondary program options. Presently, there may be a 4-year B.A. flavor to the text.

Third, openness on providers. States should be discouraged from presuming that one or two agencies or entities can deliver the anticipated program services. Rather, I hope the legislation will retain its present spirit, as I read it, to the effect that there are a wider range of educational and community agencies which may effectively intervene.

Finally, collaboration. I believe that a "sleeper" in the bill is the provision for collaboration between the K–12 and higher education levels. Whether we're concerned with counseling the student, his or her academic plan, summer programs on campuses, or standards for graduation and admission, such collaboration will be essential to the success of a State's plan. It may be helpful if this provision receives greater emphasis in the bill.

Clearly, I believe that this proposal for early intervention represents a major strategy to accomplish genuine educational access in our Nation. In addition, it may permit a national demonstration of an important idea which has been in the shadows for some time—specifically, the concept of an educational or credit bank for individuals. Increasingly, we are coming to recognize that completion of education and training beyond the high school level is no longer an option, but a necessity, both for the individual and for society. As a Nation, we are not prepared to recognize or realize the full implications of that changed reality. Nonetheless, this bill would permit a real test of the concept of educational vouchers for one, high priority, group of learners.

Thank you for the opportunity to share these views and my congratulations to you for advancing a very powerful and positive proposal.

Senator JEFFORDS. Thank you very much for those very kind words.

Mr. Vickers, go ahead.

Mr. VICKERS. I am pleased to be here today to share my views on your Early Intervention bill. First, let me say, I, too, applaud you for taking the initiative on this desperately needed effort to assure that there is outreach early in the educational system.

Vermont is a pioneer in early intervention efforts for students in the areas of career decision-making and financial aid. A few of the

important performance indicators that demonstrate the success we've had in the past for our continuation rate. In 1978, Vermont's continuation rate for high school seniors was 47 percent below the national average. By 1988, our continuation rate for high school seniors was 64 percent, four percentage points above the national average. And for a State who makes a very small investment in higher education, I think we have done extremely well. We have come from below the national average to exceeding the national average in 10 years.

Our Outreach Program, as a direct effort and component in dealing with ninth through twelfth grades who are disadvantaged with regard to post-secondary education, suggests that we have a continuation rate in the area of 77 percent of those students going on to some kind of post-secondary education. Again, well above both the national and State averages. The success of these averages lies in the personal counseling and the information provided to Vermont students. In 1988, we extended this effort to eighth graders; however, we have quickly learned that future gains depend on a much earlier intervention.

The question we have been asking ourselves at VSAC is where do we go from here? How do we encourage more students not to drop out of school and see the value of a post-secondary education?

A recent study that we have conducted of seniors that graduated in 1988 indicated that a much earlier intervention is the key—intervention which takes place prior to the eighth grade.

And let me share with you a new kind of finding that we're studying. Over 50 percent of the Vermont high school seniors who continue their education beyond high school make that decision before ninth grade. We also know that over 50 percent of those students not electing to continue their education beyond high school, want career planning information prior to ninth grade—information which now is currently provided in traditionally nine through twelve, but in most likely tenth and eleventh grades.

Another major difference between those who continue their education in Vermont and those who do not continue their education is clearly parental involvement. Twice as many of those students who continue their education beyond high school discuss their decision and their careers with their parents prior to ninth grade. The information clearly points to the need for early intervention efforts that provide mentoring, counseling, tutoring, and career planning information services well before high school.

Your proposed Early Intervention bill represents a major step forward to meet this important need. Your bill clearly recognizes the need for intervention before high school and even before middle school. It also goes one step further which I think is real important in that field. It opens the door for a K-12 approach. It does not limit us to just high school or just to middle school. And I think that is an extremely important part of that bill because it's—I think it's too late to wait until seventh or eighth grade to provide for a well-coordinated effort with other State and Federal and local providers. Again, I think a real important part of that approach, of the contract approach, an agreement between the students and the State regarding certain academic milestones, will work well with students.

However, my primary concern is, first, funding and, second, the trust fund concept. With the goal of providing student support services and establishing an educational trust fund, the minimum of $500,000, which is basically the allocation which would be available for Vermont, would not allow us to do both of those adequately or even anywhere near to what is suggested in Vermont.

I would suggest that the focus be on early intervention on the service component, and support increased funding for the Student Incentive Grant funding to replace the trust component. And what I would propose is that any Federal money henceforth that is put into the State Student Incentive Grant fund be matched by new State dollars to deal and provide funding for those at-risk students. That's a way for which we can encourage the State to put more funding into the program.

I will send you under separate cover suggestions in the areas of relationship of aid funding to other programs, the nonborrowing requirement, the eligible student requirement, and some further indications on the student agreements.

The concept of intervention for at-risk students prior to high school is desperately needed if the United States is to have a skilled work force and to have a high quality of life for its citizens in what we call the new world order.

I'd like to thank you for letting me share all my views with you and will answer any questions that you have.

Senator JEFFORDS. Thank you for your testimony.

I wonder about doing away with SSIG. Would it be possible, do you think, to do it without—under some other approach other than the SSIG, or would that take a whole different——

Mr. VICKERS. My biggest concern is that there's a lot of effort to establishing the children's trust. We have an effort in Rhode Island and in New York. What I look at is future funding and commitment to students in first and second grade. Where we are is whether the economy in the United States, can we afford that. Will the money be there? Will the State be able to write the checks that will make that a guarantee? I think the drawback is that it does not require a new Federal match of the existing money. If you get one more dollar in 1992, it requires a new State dollar, is there a way to get that program back on track? I have some real concerns about the future of some of those efforts like the Children's Crusade in Rhode Island and a few others in New York about being able to raise the capital, about meeting that commitment when those students get to the secondary campus.

Senator JEFFORDS. Have you looked at the Crusade in their program in Rhode Island?

Mr. VICKERS. We looked at the Children's Crusade. It is way beyond schedule in raising the adequate capital. The real strength is the mentoring efforts and the advisory efforts particularly with young kids. Really, the students—the biggest impact is parents. With a mentoring effort, with an advising effort, what you're doing is shoring that up where you don't have the parental involvement that you need to encourage that child to go on.

Senator JEFFORDS. How important is parental involvement in the early years?

Mr. VICKERS. Parental involvement is key. If you look at the students in Vermont and you ask those students over a period of time for those who go on to college, what was their parents' encouragement or involvement or what was their parents' choice, there's a very, very high correlation between those students going on to college and those students who's saying that their parents want them to go on to college. If you look at the students who say their parents had no involvement at all, one, you're of the higher educated family and higher income family, those students will go on; in the lower income families that interest will drop off.

Mr. BUNTING. I would agree with that. Going back to your question on SSIG, whether this could be done separately, I do see this partly as a strategy to revitalize SSIG in a time that perhaps it's necessary to do it. At the same time, that really there are some other Federal programs that are generally judged to be probably successful which are strong cousins of what are being proposed. The two I would mention are Upward Bound and Head Start. Both of them have very similar philosophy and strategies behind them and the results of them are quite impressive.

I think in both of those programs, one also finds, especially in Upward Bound, that even where the parental situation is not solid, none-the-less there often are very strong mentors in some sort of an adult position that have the same impact on young adults, anything about their future opportunities. As with you, one might find a stable family situation where parents had a lot of success in education themselves. I think one of the challenges is how can we get some of the same results with an approach, not as high cost an approach in those early years. Both Head Start and Upward Bound are relatively high costing approaches and appropriately so.

I guess I would cling a little more to the tuition assurance concept. It would need to be tied in with the lower cost approach to make a difference in the younger years. And I do think that for those who do not go on to college, both parents and kids do, of course, point to finances again and again. It's the single major drawback or concern holding them back.

So I still think the combination of the early intervention and the financial assurance, however we can provide that, is a pretty important link and does make this pretty unique.

Senator JEFFORDS. Do you think it could be possible to work business into supporting these kinds of options especially when you get into other kinds of post-secondary education skill training?

Mr. BUNTING. I would definitely answer in the affirmative there. As a matter of fact, one of the points it's important to make here is that there are projects underway which very much reflect the philosophy of this bill. In Vermont, I can think of at least a couple where business is a very key partner with K-12 education and with higher education in providing a form of early intervention.

The programs I'm thinking of now are attempting to reach at-risk youngsters who are not reaching success, particularly in early high school years, connecting up with a business or mentor in the community, in a way trying to make a difference as that student thinks about bridges to his or her future.

I think parts of what we're talking about here is being able to provide to young people bridges, clear views to a practical and real-

istic future whether it's in the working world or in college which otherwise they may not really believe really exist.

One of my jobs before coming to Vermont was directing a national set of urban universities, urban school collaboration projects. And when you think about the program, the contact program in Boston, it's again an attempt to create a bridge for people who have not had the basis to think there is a bridge to their future. And I do think that business is already quite involved in the reform and improvement of K-12 education, and I'm sure they could be counted on as a partner.

Mr. VICKERS. A real key to the mentoring component is going to be the business industries. If you talk about the mentoring, it has to be someone in the student's community so they can rely on that person on a regular basis and not just rely on that person once a month. And business in Vermont, you can count much on their support in the future if this bill were to go through, and I think that's a key component.

Senator JEFFORDS. Certainly in my experience with business is that all of a sudden they have become very aware that they have a need to play that role in education. I've been impressed with CEO's and others who have really recognized the need. Members of the first group who came in to see me, recognized that I was on the Education Committee. When they arrived I thought they'd be talking about tax policy and/or capital gains, but they said they had an increase in gains for Head Start. It knocked me off my chair. That's why I asked the question.

Thank you very much. I deeply appreciate you coming in this morning.

Senator JEFFORDS. The next three panelists are Molly Burke, president of the Vermont National Education Association; and Joanne Tenny, student, Northfield High School; and Mary Leahy, Adult Basic Education Office. We are very pleased to have you all here.

Molly, why don't you start out.

Ms. BURKE. Thank you. Good morning, Senator Jeffords.

Thank you for introducing such a valuable and needed piece of legislation and for allowing me the privilege to testify on behalf of this legislation.

One of the massive problems facing public education today is the way children come to us unprepared to learn through no fault of their own. They are often culturally, educationally, socially, and physically deprived when they enter the classroom. These are the children who need intensive educational care from the professional practitioners as early as possible.

Your legislation, I'm finding on page two, says that those children who do not receive some kind of intervention early in at least educational careers, in most cases by junior high school, are more likely to drop out of schooling. I would respectfully disagree with these findings because I believe it happens between kindergarten and grade five. I believe intervention, intensive educational care, needs to occur earlier, indeed even at preschool level, which this bill addressed on page five, under sub-letter A.

Also, since reports began to come out in the early 1980's which stated that our educational structure affect student achievement,

the reports failed to zero in on the societal issues that few people acknowledge and less want to deal with. These elements affect a child deeper than any learning we can provide for that child by the time we begin to work with them under our education system. The intense educational efforts to raise self-esteem, to build self-esteem, the awareness of a child's potential, and that child's awareness of their own potential, and the skills to make that potential a reality need to be undergirded by a national boost from the Federal level and that seems to be what this bill seems to provide.

I respectfully make one request: If this bill becomes law, and I hope that it does, I request that the Federal Government do one thing, that it provide sufficient funding for this piece of legislation so that once it has begun in our rural and urban schools, once programs are set in place to provide the much needed additional services, that these dollars will remain, and another Federal program for education will not go down the route so many others have gone, that of underfunding. Thank you.

Senator JEFFORDS. Thank you, Molly, very much.

Joanne.

Ms. TENNY. My name is Joanne Tenny. I am currently a senior at Northfield Junior-Senior High School. I have been involved with VSAC since my sophomore year. VSAC has helped me to decide about my future as a college student.

But I wish I had been involved sooner. In the eighth grade, I was asked to fill out a 4-year program to decide whether I wanted to go to the Randolph Vocational Center or if I wanted to be college prep. At the time, I didn't know what I wanted to to. As a 12-year-old, I had a hard time picking out a candy bar at the store, much less deciding my future.

I filled out the form that was provided for me and one of the choices was that I would indeed go college prep. I was then asked what language I wanted to take. I didn't know what language I wanted to spend 3 years studying so I drew a number and Spanish won. I wish someone had been around to help me to decide. I wish I had taken Latin instead because I later found out that in the English courses that I had taken, Latin would have helped me a lot. This year I'm studying authors like Homer, who wrote "The Odyssey" and the "Illiad," Shakespeare, and Chaucer. Many of the stories that these authors have written about are derived from Latin origins. The students who have studied Latin found that they have had an easier time and it is tied into what they have learned in their Latin classes. My point is that I wish someone had been around to help me then because the guidance counselors are far too busy to tend to each and every individual separately.

When I first joined VSAC in my sophomore year, I was asked by my counselor what my plans were for the future. At the time, I knew I wanted to go to college, but I didn't know where and for what major. I told him this and he said not to worry if I didn't know then what I wanted to do for the rest of my life. He said it's not easy to make those decisions. Northfield's a small school. It doesn't have a lot of specific classes like some schools do. It was comforting to know that I didn't have to make up my mind then. Also it was nice to know that he was going to help and show me what was out there. I didn't find a major that appealed to me right

away and he told me that was okay too. Well, he told me that many students take a liberal arts study. This appealed to me because I was interested in a lot of things and I'm still not able to narrow it down to one topic yet. My counselor helped me to pick out the classes that I could take to keep my options open.

I am happy that I was chosen for VSAC and I hope that many more students will have this opportunity.

Senator JEFFORDS. Thank you very much.

Mary, it's a special pleasure to have you here. Nice to see you again.

Ms. LEAHY. Nice to see you and thank you very much for this opportunity.

I am in a wonderful position of telling about a very joyful thing that's happening here in Vermont. I have worked for the last 15 years for Adult Basic Education as an administrator and as a teacher, and as you know that's an adult literacy program. I am also on the Board of the Vermont Council on the Humanities. And the partnership that has come about there is truly phenomenal in the things that have happened for adults who are learning to read.

I just want to begin by reading to you a little bit from an article that a student in an Even Start Program, which is a family literacy program, federally funded and there are two projects here in Vermont, wrote for the adult education students' newspaper that comes out once a month. This is a man who's in the Even Start Program because he is vitally interested in his child's education. He is a man who is learning to read himself.

And he begins his article by saying, "When I was a child, I wished my father or mother would have gone to my school activities for it would have made me feel like I was doing it for something important. Even when the teacher said, 'Your father and mother are welcomed to come to school for the activity or to talk things over,' I know my parents still wouldn't come to the school. I think parents should be involved in their child's school and with all those involved in the child's education. The parent and teachers should go in the same direction, not in different directions with the child in the middle not knowing which way to go."

He sent me an advanced copy of this article and he wrote in his cover letter to me, he said, "TV today is going to the dogs. All the programs are all about killing or about making fun of family life, but books can take you far away"—this is a man learning to read—"but books can take you far away from this and show you real people and places, and make you laugh or cry, climb high mountains, cross wide rivers, or walk back into the past, or fly into the future, and see pain and joy, and it's all free just by opening a book and walking into the pages." I think a reading discussion group would build a bridge into——

Senator JEFFORDS. That's beautiful.

Ms. LEAHY. Isn't it—this is what the Humanities Council has built its thinking on, although I don't think anybody there has expressed it as beautifully.

And that is something that began about 5 years ago, an attempt to involve adults just learning to read into this cultural phenomena happening in Vermont which is a series of wide book discussion programs going around the State and emulated by several States

outside of Vermont now. But the thinking was, okay, these things are wonderful, people are coming together to discuss great literature with a scholar in libraries to discuss the important issues that are provoked by the books. What about the people who aren't coming? And the council began to think about what needed to be done, about what the Department of Education projects as 58,000 Vermonters who can't read and write well enough to get along and certainly can't read or write enough to help their children in school.

So the council worked with librarians, with Adult Basic Education teachers, ran university scholars to—how does this work, well, to get these students and people eligible from Adult Basic Ed into such a program? A.B.E. as you know here in Vermont works one-to-one with students in their homes, and that is to save the embarrassment of coming into a public place which our students have told us that they want the situation to remain their own. But in selecting the books and thinking about how do you get them into the library, we worked with a goal that was very often expressed by our adult students which is: I know that reading is important. My parents didn't read. There were no books around the house. I think this had something to do with the fact that I'm a nonreader. I don't want this to happen to my children who are very young, who are coming along, and I want the joy of being able to read to those children.

So the books that were selected were classic, wonderful books of children literature. And scholars, the same scholars that were doing the book discussions for the mainstream readers were asked, "Would you be willing to lead discussions on these books?" And one by one, students were invited to come to something like this to discuss good books.

I wondered as a teacher if something like this could ever come to be because I've worked in people's homes; I've gone in the back door; I've kept the confidentiality standards that we felt were so important. But when I invited my students to join the literate society, which is exactly what this is, to come together to talk about good books, not to come together to talk about their poverty—although there's definitely poverty—not to talk about their learning difficulties—although there was difficulty with that—but to talk about these great books, but to keep these books with the encouragement to read them to their children, well, I am blown away. I've been blown away constantly for 5 years as this thing has grown bigger and bigger and bigger with a number of very important spinoffs in the activities of the Adult Basic Ed programs as a result of these humanities programming.

Although I see the numbers increasing more and more, communities are signing on for these reading discussion programs more and more, students are coming together in them, but the thing that is important I see these books being read by parents to their children in the home. I see children taking these books to school. For many, it is the first books ever to be there in the house and they can keep the books.

It is—it's been such a success that the Humanities Council has articulated a goal that has now been accepted by the State Board of Education and that is to have a fully literate Vermont by the

year 2000, which is an amazing challenge and I feel very definitely achievable goal.

[Due to the high cost of printing the "Annual Report for 1989 from the Vermont Council on the Humanities" is retained in the files of the committee.]

[The prepared documentation of Ms. Leahy follows:]

For the Love of Reading

BY VICTOR R. SWENSON

THE INDIRECT APPROACH is often the most effective way to a goal, wrote military strategist B.H. Liddell-Hart. Although not directly advanced as literacy programs, humanities reading programs highly motivate people at intermediate stages of learning to read. How can the humanities play a part in overcoming illiteracy?

The Vermont Council on the Humanities tackled that question two years ago through its support of the "Connections" project, a book discussion program designed to move newly literate adults from practical literacy to "literate" literacy by engaging them in discussion of texts and ideas in the best tradition of liberal education in the humanities.

Illiteracy is a serious problem in Vermont. The 1980 census reported 94,000 people over the age of sixteen who lacked a high school diploma and 52,000 inhabitants who had not finished the ninth grade. The Vermont Department of Education estimates that today one in five or as many as 100,000 people in the state are unable to read and write.

In 1986 when the "Connections" project was launched, 4,760 people were enrolled in Vermont's Adult Basic Education program. Of that number, 2,795 were in intermediate classes with reading skills at a third grade level. The "Connections" project linked these intermediate-level students and their adult basic education tutors with humanities scholars. Book discussions were established for these students to explore two themes, "Thinking About Our Past" and "Thinking About Friendship." Each theme involved a series of three programs led by a university scholar at monthly intervals. Three books were assigned for each program: a picture book, a book at the third grade level, and one at the fourth or fifth grade level. Among the nine books included in each theme, three were difficult enough for students to need help from their tutors.

Discussion groups consisted of up to fifteen people including five adult basic education students, their tutors, and librarians and observers. During the programs, which were held at libraries in Montpelier, Northfield, Bristol, Morrisville, Middlebury, and Rutland, the tutors and students participated as equals. "I didn't always know which were tutors and which were students (I liked that)," wrote one evaluator.

To prepare scholars and tutors for the special challenges of this program, a day-long workshop was held where participants reviewed the program materials and format and conducted simulated discussions.

In January 1987, I observed the final meeting of a history series on "America's Westward Movement" conducted by Marshall True, a professor of American history at the University of Vermont. The session's picture book, *When I was Young in the Mountains* by

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Victor R. Swenson, executive director of the Vermont Council on the Humanities, opened the council's office in 1974.

Cynthia Rylant, give a vision of settled pioneer life. The third grade book was Laura Ingalls Wilder's *Little House in the Big Woods*, which describes Pa Ingalls' decision to move his family west from settled life in Wisconsin in search of the place "better further on." The advanced work was Louise Moen's short novel, *Save the Queen of Sheba*, recounting the adventure of an eleven-year-old boy who saves himself and his eight-year-old sister Sheba from the wreckage of a wagon train raided by Indians.

True sketched the history of the westward migration and linked it to the earlier northern migration that brought pioneers to Vermont after the Revolutionary War. He explained how the three books related to the theme and invited discussion, which focused on the characters and how life in the past was different.

Evaluations of the programs were solicited from tutors, students, discussion leaders, and a paid scholar evaluator. "I found these students more aggressive about their education than my university students," wrote True after his session. "They asked more questions, paid better attention, and were more willing to risk being wrong."

Julia Landry, director of the Central Vermont Adult Basic Education program in Morrisville, wrote that two of her students, who weren't able to join the discussion at the library, read the books from the history series and asked for more like them. "One student, a fifty-year-old construction worker who became a reader in the last few years, is planning on reading the entire series of Laura Ingalls Wilder books," Landry reported.

Student response has been enthusiastic. "I never knew reading a book could be fun—I always hated books," wrote one. Another commented: "I never heard a person talk about books before. And I enjoyed listening to him talk about it."

The "Connections" project took root in 1978 when the Vermont council supported "What If You Couldn't Read?", a film illustrating the problem of illiteracy in the state. The film was shown widely throughout the state and, as council staff members became acquainted with the adult basic education network of tutors, we mulled over ways of connecting new adult readers with the humanities.

Since 1978, we had established reading and discussion programs in community libraries across the state. By 1985 sixty Vermont libraries had taken part in programs with attendance approaching 15,000. Through these programs, the council formed a working relationship with the Vermont Department of Libraries.

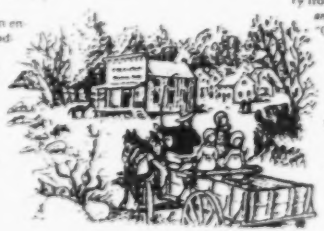
The rapid growth of these reading programs prompted us to join librarians and scholars in organizing the Vermont Reading Project as a separate office to circulate existing programs and design new ones. NEH provided support for the project three years ago and last year awarded a second two-year grant which, combined with annual support from the Vermont council, succeeded in bringing reading programs to 120 of Vermont's 246 communities.

One evaluator observed that, although the content level was not the same for regular reading discussion programs, "this is the first time participants have ever visited a library, read a real book, or discussed ideas about books."

The "Connections" project brought new people to libraries, provided the adult basic education tutors with a new, literature-based way of stimulating love of reading, and brought books, ideas, and discussion into households where they had never before had a foothold. Summing up the results of the experiment, project director Sally Anderson noted, "We learned some things with this project that we hadn't anticipated. Adult basic education tutors did not know how to use literature in the teaching of reading; librarians did not know what books to give adult new readers, and adult new readers are both verbal and motivated to read 'real' books."

Drawing from that experience, this year the council initiated "The Family Reading Project," which will engage parents in a discussion of the best examples of children's literature, with the goal of encouraging them to read to their children. Students in the adult basic education program and parents throughout the state will be invited to join humanities scholars in reading and discussing literature relating to themes of friendship, history, family, and courage. The project stems from a belief that no amount of grant programs for the preschool or elementary classroom can make up for the absence of parent-child reading activities.

By helping engage children in love of reading, the programs offer a promise of bringing whole families into the circle of culture and liberal learning. A tutor recounted this story from a student who loved *Ramona and Her Father*, by Beverly Cleary: "One evening she hadn't cooked dinner until 'real late' because she couldn't put the book down. Her kids kept asking, 'Ma, when are we going to eat?' and she told them, 'as soon as I finish this book!'"



A Garth Williams illustration from Laura Ingalls Wilder's Little House in the Big Woods.

PROFILE OF LINDA NORTH

Linda North lives in a rural setting in North Central Vermont. She is twenty-six years old and the mother of four children. Linda felt isolated not only by her setting but by the fact that she could not read. When her children began to attend school she began to see clearly that she could not be a part of their schooling. For Linda, the motivation to begin to learn to read came from her concern about being a good parent.

Linda began to learn to read early 1990. Her tutor, Julia Landry of Central Vermont Adult Basic Education, found that at the start Linda couldn't read a book to her children couldn't read a third grade spelling list to her daughter. She also couldn't read enough road signs to be able to drive safely. Julia and Linda began the work of learning to read with the book Frog and Toad are Friends. This was one of a group of books on "Friendship" which was to be the theme of a Vermont Council on the Humanities sponsored "Connections" program at the local library. In March, Linda joined the "Connections" discussions. She took out her first library card.

Shortly after Linda began to participate in the "Connections" program, a "Family Reading Project" program was scheduled to take place at Eden Central School. The theme of the readings for that group was Native American Writing. Offered a chance to participate, Linda was nervous at first because some of the parents in the group were already comfortable readers. Linda was also concerned because she would also be in a group with her own children's teachers who had not, until then, been aware of Linda's reading level. Linda's fears were overcome by her determination to contribute to her children's lives, and she joined the "Family Reading" program group. Today, Linda has read 17 books, many from the Council's reading series. She has bought on payments, a bookshelf to hold her collection of books and reads regularly to her children.

Learning to read has taken Linda out of her community and into her state in a way that even surprises her. She attends meetings of the Student Advisory Council for the local Adult Basic Education region. She has written stories based on the "Frog and Toad" stories by Arnold Lobel that began her career as a reader. One of the stories has been published in the "Green Mountain Eagle". Linda attended the July 3, 1990 meeting co-sponsored by the Vermont Council on the Humanities and the Commissioner of Education to represent the point of view of adult new readers. After that meeting, she wrote a letter to the Council's Executive Director. The letter says:

> Dear Victor Svenson
>
> How are you doing I hope fine I like reading to my kids a lot and they like to hear me read. My daughter Tonya trying to read. Now she gets more courage to read. I think everybody should take the Adult Basic Education program. Now I can read a newspaper and I like it when I can read. Thank to Julie Landry for helping me to learn to read.
>
> The way to get more people into the program is, if they are going to spend so much time studying it would help if they got paid. Also if a student would talk on the radio.

This fall Linda read Forrest Carter's The Education of Little Tree with her teacher and went across the state to the day-long "Books and People" Conference. She heard a lecture on the book and participated in two discussion groups about ideas contained in the book. Linda wrote an evaluation of the conference. Also, this fall, Linda has applied for a driver's license for the first time. She is allowing her daughter to join the local Girl Scout troop. She is out and participating and comfortable in her community in ways she has never been before and never expected to be. Linda has said that learning to read has given her courage, as it has given her daughter courage to read. Linda is now not only an advocate for herself and her children but also for other adults who could benefit as she has, from learning to read.

BLACKBOARD

Not Too Old For Reading

GEOF HEWITT, a Vermont poet and writer, led a book discussion recently, sparking a lively exchange on topics such as theme, plot conflict and the use of colloquialisms in literature. His text: Vera Williams's "A Chair for My Mother," an illustrated children's book. His audience: men and women, average age 38, in the Family Reading Project.

These were new readers, new to book discussions, and they sat on hard, straight-backed chairs in the public library of Morristown, Vt., a town of 4,500 about 40 miles east of Burlington, offering their own thoughts on these literary subjects. Some were also newly literate, having learned to read in the state's Adult Basic Education program.

"It's interesting how people can read the same book and get different meanings out of it," observed Berenice Carpenter, a mother of four from nearby Eden Mills. "I had never really thought about that before." Mrs. Carpenter, who dropped out of school 22 years ago, was attending her first meeting of the Family Reading Project.

Edmund McAuley attends another Reading Project program in Barre. "The ideas in these books are pretty complicated," he said, "and sometimes I wonder if children really understand them."

The New York Times/ Jeffrey Lovitky

Berenice Carpenter with sons David, left, and Walter.

In 1986 a group of Vermonters concerned about adult literacy and the humanities came up with an innovative notion: that new readers should be given a chance to read and talk about "serious issues, and ideas that matter, from real literature," as Sally Anderson, director of the Vermont Reading Project described it. The important thing was to find books that were neither too intimidating nor too hard to read — like children's literature.

"The themes are the same — courage, love, family, work — as in books for adults," Mr. Hewitt said. "In children's books, the words are simpler, the heroes are younger."

So in public libraries throughout the state, the newly literate have been gathering to discuss immortality in Natalie Babbitt's "Tuck Everlasting," family relationships in Beverly Cleary's "Ramona and Her Father" and serious themes in scores of other titles. About $85,000 has been spent over four years, and more than 1,000 people in 20 communities have participated, according to Ms. Anderson.

The results have been dramatic. "Students tell us all the time 'I never knew people talked about books,'" said Ms. Anderson. Victor Swenson, director of the Vermont Council on the Humanities, tells of one man who moved his bowling trophies to display his books. Henry Drennan, the Morristown librarian, said that another program participant, a "poor woman with multiple problems," returned to the library to use a reference book. "You have no idea how happy I am to see someone who has never used a library before come through our doors," he said.

The program, first called "Connections," is sponsored by the Vermont Reading Project, the Vermont Council on the Humanities, the Adult Basic Education program and state and local libraries. This year the program was renamed the Family Reading Project and opened to experienced readers as well, to encourage parents to read to their children.

Mr. Hewitt, who has led several of the discussions, said he could not tell the difference between old readers and new, except that "perhaps the new readers are more excited, less jaded."

They are people like Dennis Locke, a 40-year-old whose physical handicaps prevented him from attending school as a child. "I learned to write my name, that was all," Mr. Locke said. He learned to read through Adult Basic Education, noting: "I love to come to the meetings because I find out how other people are thinking, and I get to say what I think."

Mrs. Carpenter, a native of Vermont, quit school when she was in the eighth grade. "I just wanted to get out of there and be on my own" she said. She worked odd jobs, "baby-sitting, stuff like that," and married at 23. When the first of her four children was born she began worrying about her own lack of education. "I knew my kids would start asking me questions, and if I didn't do something about it, I wouldn't be able to answer them," she said. She is aiming to earn a high school diploma.

Mr. Hewitt said the program had humbled the teacher as much as it has excited the students. "I used to equate intelligence with literacy," he said. "Now I realize what an arrogant and stupid assumption that was."

Mariuliia Cafka

FLASHCARD✓

GROWING numbers of college students are balancing school and work. Last year almost half the full-time college students between the ages of 16 and 24 were employed. Half of these worked between 15 and 20 hours a week, and 18 percent were employed full time, working at least 35 hours a week. Sixteen years ago only 27 percent of the full-time students in that age group were part of the labor force.

— American Council on Education

THE LADDER.

Push Literacy Action Now Volume XVIII Nov./Dec. 1990

Federal Government Finances Two New Literacy R&D Centers

The adult literacy field has been blessed with not one, but two new research and development centers!

The first is the National Center on Adult Literacy, which opened shop in October at the University of Pennsylvania. It is jointly sponsored by the Departments of Education, Labor and Health and Human Services. Funding is expected to reach $10.2 million over five years.

The second is the tentatively-titled Institute for Literacy Research and Practice. The Institute was established in 1991 budget appropriations for the Adult Education Act. Beginning July 1, its first-year budget will be just under $5 million.

The Institute is the brainchild of the Bush administration, which wanted to fend off the proposals for an *independent* institute that were included in the literacy bills of Senator Paul Simon and Representative Gus Hawkins (see "Literacy Legislation," *The Ladder*, March/April 1990, p. 1). These bills did not clear Congress in the fall so the independent institute does not (yet!) exist.

Ironically, both entities are under the domain of the Department of Education's Office of Educational Research and Improvement (OERI). Both entities have the objectives of providing leadership, expanding the R&D, disseminating information, and the like. Both will hold national forums, advisory panels, round tables, focus groups, and the like.

The Institute is only in the formative stages and does not even have a director yet. However, Continued on page 10

"For ten years, I was forced to receive a 'white' education, in addition to being separated from my mother, father, aunts and uncles."
See page 2

If we are to challenge the myths of illiteracy, we need studies of the women who are labelled 'illiterate' or 'silent.'"
See page 3

"Cultural hierarchies are intrinsic to written societies. As democrats, this may make us uncomfortable, but as educators we know it's true."
See page 6

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Vermont Humanities Council Program Connects

By Esther Mackintosh

Editor's Note: The following article is based on remarks made at the Smithsonian seminar on literacy (see previous article)

There is a multitude of reasons that adults make a decision to improve their reading and writing skills. Ed McCauley had a few of his own. The factory where he had been a reliable and capable worker for much of his life closed down, and he was faced with having to find a new job. This is terrifying enough for anyone, but in Ed's case it was complicated by the equally terrifying prospect of having to read job ads and fill out forms. Simultaneously, Ed was coming to some other realizations. He had always been frustrated about not having been able to read to his children, but now he was looking towards having grandchildren, and he didn't want to miss out again.

Ed sought out a good tutor, began to work hard at learning to read, and started making some changes in his life. Over time, his reading skills improved significantly. He was able to find a new and better job, he regained his confidence, he found new confidence, and he eventually discovered something unexpected — the pleasure of talking with others about things he had read, comparing ideas, and being part of a reading community.

This discovery came to him through a program called "Connections," sponsored by the Vermont Council on the Humanities. Ed's experience sheds light on the role that state humanities councils (one in each state) have begun to play in promoting literacy.

Begun as a part of the National Endowment for the Humanities in the early 1970s, the state councils fund programs in the humanities for the general public throughout the country. Through these programs, most of which are free to the public, people attend exhibits on the history of Blacks in Arkansas, read and discuss books by Southern writers in Mississippi, participate in weekend seminars on the battle for water rights in Nevada or environmental issues in Massachusetts, or sit under a tent in Nebraska listening to "Elizabeth Cady Stanton" talk about women's suffrage.

The humanities are a way of making connections. They are a way for people to understand stories — their own and those of others — and to make connections between their own stories and those of people both like and unlike themselves.

In the 20 years of their existence, the state councils have worked increasingly to identify those audiences within their state who have been left out of the common conversation, and to find those issues that people ought to be talking about and haven't been. One of the issues that several councils began to look at was literacy. Recognizing that they couldn't — and shouldn't — try to turn themselves into community-based instructional programs, these councils spent considerable time discussing just what kind of role they could play. Some held statewide literacy conferences, to which they invited literacy workers and students, state education officials, college and university teachers, and others to compare experiences and thoughts. Out of these discussions, ideas began to emerge (see "Humanities Councils Sponsor Literacy Projects," *The Ladder*, July/August 1989, p. 6).

One barrier that councils had to face was the very word "humanities," which conjures up associations of advanced degrees, academic and sometimes incomprehensible language, and elitism — not an easy barrier to get over in discussions of how to promote literacy. But councils have long known that humanities are far more than just the study of history, literature, and philosophy: the humanities are a way of making connections. They are a way for people to understand stories — their own and those of others — and to make connections between their own stories and those of people both like and unlike themselves.

A number of councils took off with this idea. One of them was the Vermont Council on the Humanities, which had a long history of highly successful reading and discussion groups. But the more successful these groups became, the more the council thought about those who were being left out — the 58,000 people in Vermont who were estimated to have limited reading skills. The question the Vermont council asked itself was, how can we extend these groups to include these *potential* readers? The answer they came up with was "Connections," begun in 1986 in six communities.

The structure was simple. A series

New Readers with the Pleasure of Sharing Ideas

of high-quality children's books were selected which focused on basic themes such as home, family, friendship, and history. Teams of tutors and adult learners read the books and then joined other tutors and learners at a local library. A scholar from a nearby college guided the discussion. Of particular importance was the librarian who hosted the event and also entered into the discussion. This involvement of the librarian helped to make the library a familiar and welcoming place for the students, many of whom have become regular library users.

The key to the program, which was clear in listening to Ed McCauley talk about it at a literacy conference in Pittsburgh, was in the *exchange* it made possible. When Ed's tutor, Mary Leahy of the Barre Learning Center, urged him to join the reading and discussion group, he was initially reluctant. At the time, he had not entirely reconciled himself to having people know that he had a reading problem, and he didn't think he would have anything to say in a discussion. In fact, this was a great hurdle for many of the learners who joined the program. But the first session with "Connections" changed all that, and Ed became an active and enthusiastic participant. Now he's taken an active leadership role in a newly formed adult student advisory board in Vermont. This is characteristic of other adults in other state council-sponsored discussion programs as they discover the satisfaction of breaking out of isolation, expressing themselves in a group, exploring and exchanging ideas, and comparing stories.

The use of children's books deserves some comment. Initially, they were selected because it was felt that there was a better choice of broadly available, easy-to-read books with complex themes written for children than for adults, and also because many of the participants would be parents. However, since 1986 there has been a renaissance in the publication of adult "new reader" books, and Vermont itself has developed very successful book projects involving new writers — Opening Doors Books and Homegrown Books, to name two. Some participants have therefore felt that the Humanities program should support this trend by selecting adult books. So far, the focus on children's books remains unchanged.

The "Connections" program in Vermont continues to grow and generate other activities. In the second year of the program, there were discussion groups in 14 towns; in the third year the number grew to 25.

The "Connections" program in Vermont continues to grow and generate other activities. In the second year of the program, there were discussion groups in 14 towns; in the third year the number grew to 25. In October 1989 the Vermont Council sponsored the first-ever statewide conference of Adult Basic Education tutors and learners. There was a text for the conference, *The Great Gill Hopkins* by Katherine Paterson; the author was the keynote speaker. Several student advisory boards grew out of this conference and helped plan the next one.

The second annual conference took place November 3, with 400 participants. This time *The Education of Little Tree* was the text, and discussion sessions were centered around themes developed by the students: the environment; the Native American attitude toward the environment; racial prejudice; attitudes about aging; and education. Participants selected discussion groups they wished to attend based on the themes to be discussed. This conference, like the first, was designed not to discuss the problems of illiteracy but to discuss books and stories. In fact, the title of the conference was "A Celebration of Books and People." For people like Ed McCauley and for other adults who have begun to share their thoughts about what they read, such celebrations are themselves a reason to celebrate. —

Esther Mackintosh is a vice president of the Federation of State Humanities Councils, and is a teacher at PLAN

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Heard Any Good Books Lately? Try "Radio Reading!"

The joy of books will be again transmitted to Central Vermont ears in 1991 by "Radio Reading," an exciting new series funded by the Vermont Council on the Humanities.

Starting on February 3rd and airing for thirteen consecutive Sundays, WDEV AM stereo 550 will broadcast a series of half-hour shows, developed by Central Vermont Adult Basic Education, showcasing literature suitable for family audiences. Each program will air twice, first from 11:30 in the morning until noon and again from 7 to 7:30 in the evening.

When "Radio Reading" previewed as a pilot series in 1990, according to WDEV General Manager Eric Michaels it generated more positive listener feedback "than virtually any other programming on the radio station." This year's series promises to be even more appealing, with the inclusion of two Vermont authors reading from their own works. Katherine Paterson of Barre, twice winner of the prestigious Newbery Medal for the year's most distinguished contribution to children's literature in America, will open the series, reading from her book Come Sing, Jimmy Jo. And Michael Caduto of Springfield will read from Keepers of the Earth, a collection of Native American legends which he co-authored with Joseph Bruchac.

In response to listener suggestions during the pilot, "Radio Reading" in 1991 will include a mystery by Edgar Allen Poe, pieces describing life in early Vermont in celebration of the Bicentennial, poetry by Vermont poets, a legend from the days of King Arthur, and several selections chosen specifically for enjoyment by small children.

The series is produced and hosted by Nedene Martin of East Calais, and the presentation is designed so that families or groups of friends can enjoy gathering together to listen. As host, Ms. Martin invites listeners to spend some time after the broadcasts talking about what they heard. Local libraries and schools are being encouraged to actively participate, and will receive flyers listing each program and posing questions to help generate discussion.

The radio series plays a substantial role in the Vermont Council on the Humanities' goal of achieving universal adult literacy in our state by the year 2000. "By using the airwaves we can bring the literary experience to the largest possible audience," said VCH Executive Director Victor Swenson. In fact, Swenson noted, if money to support literacy outreach continues to flow into the Council, the 1991 "Radio Reading" series will be extended by an additional 13 weeks and will expand to a second broadcast outlet, WNHV 910 AM in White River Junction.

Vermont Living D

Children's Books Are Unlocking Minds Of Adults

Family Reading Program Opens Cultural Doors To Vermonters

By NANCY SHELLEY
Associated Press

P.V. Hall, of Sherburne, says she first joined the Family Reading Project to help her children but now gets a lot out of it.

Harriet Horn, in her home she shares her interest in reading with her son, Jarrid, 11, left, and daughter Courtney, 9.

One man moved his bowling trophies so he could more prominently display his new books. All kinds of things were happening that we didn't have the vision to anticipate.

Michael Bouman, executive director, state Council on the Humanities.

One mother, engrossed in "Ramona and Her Father," told her hungry family she'd be happy to fix their dinner ... as soon as she finished her book. "I couldn't feed those kids 'til 7 that night," she said.

Valley News

Literature Matters

Unusual Conference For Unusual Readers

By NICHOLAS BOKE
Valley News Correspondent

When well meaning Americans try to convince other well-meaning Americans that they ought to do something, they usually start by explaining how this or that action will improve the socio-economic status of this or that group. If there's a study to prove that by doing the thing in question so-and-so will be guaranteed so much more annual income, all the better.

Mixed Media

But there is a school of thought quietly lurking out there that insists — all hype to the contrary — that the reason to read good literature is simply because good literature exists.

A conference I attended at the Cortina Inn in Killington last week proved that this premise is a valid one — valid not only for some esoteric elite wandering its way through the latest Garcia Marquez novel, but for everybody — and I do mean everybody.

The conference, "Books and People: A Celebration," was put on by Vermont's Adult Basic Education tutors, working in conjunction with ABE students and the Vermont Reading Project, and funded by IBM and the Vermont Council on the Humanities. It featured Barre author Katherine Paterson talking about her 1978 work *The Great Gilly Hopkins*, followed by a series of small discussion in which the conferees talked about the book, the writing process and literature in general.

What, you may ask, is so unique about a well-known author attracting a sizable crowd to an inn on the slopes of Killington in the height of the foliage season?

The gathering was remarkable in that the vast majority — at least 230 of the 285 who attended — were not your run-of-the-mill conference goers, or your run-of-the-mill readers. A substantial number were brand-new adult readers, working closely with Adult Basic Education tutors as they struggled to break free from the confines of illiteracy. There were also those who had recently managed to earn a high school diploma through the GED program. And there were community college students in their 30s and 40s, gently re-entering the world of learning and systematic thinking, and in many cases, seeing themselves for the first time as capable of mastering the demands of the academic world.

They came to the conference nervous, but excited.

"I was up at five this morning," one woman in her mid 30s remarked as we waited for Paterson to begin. "I could hardly sleep last night."

"Hah!" countered another. "I haven't slept for three days!"

As Katherine Paterson began her remarks, it became clear that she was a perfect choice for this ground breaking conference. She spoke lovingly of the characters in her book, of words and images of her life.

She told how the idea for the book had evolved over the years. She read from the book. She spoke of working with editors and film makers. She made the story — which deals with the transformation of an anger-consumed foster child into a human being capable of loving — come alive. And as it did, the writing and thinking processes that created it came alive, too. The audience seemed spellbound.

After Patterson's talk ended, we filed out to find our discussion groups. I walked along with John, an auto mechanic in his 40s who began working with the ABE program several years ago.

"Whew," he said, "I haven't sat that long. I don't think, ever in my life."

Warily I asked, "Did you like it?"

"Loved every minute of it," he beamed. "every minute. She was terrific."

There may have been some who attended the conference who didn't enjoy every minute of it, but I couldn't find them.

What I did find was a mid 30s incest victim who was taking notes so that she could put her experiences into print; two budding poets who critiqued each others' work constructively in an afternoon session; and a young woman who wanted to develop her writing skills so that she could treat the issue of social labeling — something she had become sensitized to through her experience in the mental health community — in a fictional manner. And I found a young paraplegic who had only recently learned that fiction was a vehicle by which he could better understand his own relationships with the world.

The organizers took a major risk in putting together such a conference for new readers — and an even greater risk in billing it simply as a celebration of books and people, with no message implied except that literature matters.

Wanting the "Celebration" to be a beginning, not an end in itself, they provided each participant with the nine volume collection of Laura Ingalls Wilder's *Little House* books, donated by Harper and Row and the Ingalls family.

"Books and People: A Celebration" was unique. Nothing along these lines has been tried anywhere else in the nation. That it worked at all is remarkable; that it worked so well is testimony to the fact that literature does, indeed, matter — and to a much wider range of people than some might think.

Give the Gift of Reading

The Family Reading Project
of the
Vermont Council on the Humanities

Give the Gift of Reading

If you have an infant or toddler or are expecting a new baby, you are probably thinking about lots of different things. Whether your baby will ever learn to sleep through the night. When to toilet train him. How to keep him safe as he begins to explore the house.

You may not be thinking yet about starting your baby on books. Yet no matter how young your child is, it's not too early to begin singing nursery rhymes and talking to him. And as soon as your baby can sit up, you can begin looking at bright pictures and reading with him.

Your baby is learning new things every day. He discovers his face. He learns how to turn over. He sits up slowly. He manages to hold his own bottle. When your baby says "da-da-da" and "ma-ma-ma," it almost sounds like real talking.

With your help, your baby can learn about books and stories, too. You can laugh together over "This little pig went to market." You'll both feel proud when your baby points to a picture of a cow in a book or magazine and pipes up, "Moooo!"

It can be a welcome break in a busy day when your toddler or pre schooler brings you a book and begs, "Read to me!" This kind of sharing often brings grown up and child closer together. It also shows the child that books can be fun. Then she will look forward to learning to read later on.

The years from one to five are the time to begin preparing your child for reading. That doesn't mean you should try to **teach** her to read. Not at all. Studies show that just listening to stories and looking at books for a few minutes every day are the child's best preparation for learning to read.

If every child had a few books and someone who would take a few minutes each day to look at them with her, many more children would become good readers and do well in school. And those few minutes the adult and child take from work or play or television watching to share a story can be the happiest time of the day.

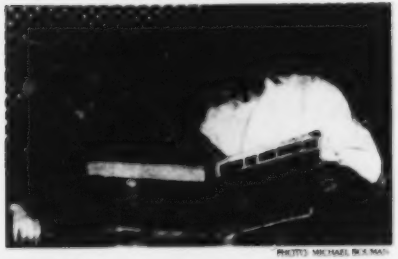

PHOTO: MICHAEL RUSMAN

Tips for Success . . .

Nearly all children love to be read to. Don't worry if you think you're not a good reader yourself. Books for little children aren't difficult. Besides, even if you just talk about the pictures, it's good for your child. If you enjoy the books, your children will, too. And they'll appreciate the chance to have you to themselves for a few minutes. Here are some suggestions to get you started:

Choose a quiet spot, if possible. Too much noise and activity will distract the child. Turn off the TV and radio.

If Your Child Is Under Two . . .

★**Take her on your lap and open the book to a pretty picture.** Don't be upset when your baby grabs the book and begins to chew on it. That's normal. At this age a child learns about the world through touch and taste. Besides, bringing an object to the mouth is one of the baby's new skills. It's O.K. to pick up and put a bottle or a cookie in the mouth — why not a book? But of course you don't want the baby to eat the book up the first time he sees it. Try gently taking it out of the baby's fist and putting a small toy — a teething ring or a clothespin, for instance — in each hand. Often the baby will chew on one of those while you hold the book out in front of him. Or you can simply hold the book just beyond the baby's reach. You might want to have some sturdy, inexpensive books the baby can look at by himself and keep other special books for sharing together.

★**Turn the pages slowly, saying the names of a few of the objects pictured** — the ones your baby is most familiar with. Or just talk about the pictures. Hearing you say words will help the baby learn to speak and to understand the world.

★**Look for board books and cloth books for babies.** Books of familiar objects are favorites at this age. When you show the pictures to your baby or toddler, the child will perhaps point to something on the page and ask you to name the object. "Whazzat? Whazzat?" some children say. Others just point or ask, "Uh?" Sometimes, when you tell them the word, they will try to say it, too. **Don't be afraid to praise the child for trying a new word, even if it isn't pronounced perfectly.** Soon you can see the child's delight as he learns new words and concepts every day.

★**Keep the book-sharing sessions short.** At this age, most babies can't sit still and pay attention to one thing for very long. Probably five minutes will be long enough to spend looking at the book at first. Later, he may say, "Again!" when you close it. Then you can read for a little while longer.

★**Try reciting Mother Goose rhymes to the child often throughout the day.** You don't need to sit down with the book each time. Babies love the rollicking rhythm and rhyme of these verses, even when the meaning of them isn't clear. In fact, their nonsense just suits a little child's sense of humor. Try "Hey, diddle diddle" when you have to diaper a squirmy baby or "Hickory, dickory, dock" to keep a restless child happy while you're standing in a check-out line.

For Toddlers And Pre-Schoolers . . .

★**Try having a regular story time** — maybe before bedtime. This can be a favorite peaceful few minutes for the whole family.

★**Keep your reading session about fifteen minutes long.** Gradually, you'll make story time longer as your child asks for "Just one more!"

★**Choose nursery tales and realistic stories** about family life for pre-schoolers.

★**Let your child choose a book sometimes.** She is likely to develop favorites and may want to hear the same story over and over again.

★**Make your reading lively** by changing your voice for different parts. A deep gruff voice for Papa Bear, a medium voice for Mama Bear, and a high squeaky voice for Baby Bear will delight your child when you're reading **Goldilocks and the Three Bears.**

★**Invite your listeners to join in** by guessing what's going to happen on the next page or repeating words and sentences with you.

★**Talk about the book with your children,** even if they're still very young. You can help your youngsters make connections between something in the story and something they are familiar with in real life. They'll probably come up with some surprising comments!

★**Don't worry if your child doesn't sit still while you read.** A child who wanders around or plays with a quiet toy as you read may be hearing every word.

★**Ask others in the household to read aloud.** Grandparents, aunts and uncles, older brothers and sisters, can all share books with a pre schooler. First and second graders just learning to read will take great pride in demonstrating their new skill to the toddlers in the family.

★**Listen to your children** when they're looking at books by themselves. You may be surprised at how much of the story they can already tell, just from hearing you read it aloud and from looking at the pictures. They may not be really reading the words yet, but they're on the way!

For School Age Children . . .

★**Don't stop reading when your child enters school.** Even after children learn to read, they benefit from hearing stories read aloud. Beginning readers like to hear books that are too hard for them to read themselves. Studies show that children who are read to regularly gain in vocabulary and reading comprehension. They also are more likely to start to read books on their own. And children who have enjoyed a family story time won't want to give it up.

★**Try** funny books, make believe stories, books with realistic plots, mysteries, and poetry for older children.

Where Can You Get Books?

Children like having some books of their own at home, but it's important that they get to know lots of books. Your neighborhood library probably has a children's room with a big, wonderful collection. You can bring your family in for special story hours and movies, and with a free library card you can borrow piles of books to check out for two or three weeks at home. Visits to the library can also prepare your children to go there later for school assignments. The public library is a rich resource that belongs to all of us.

Many bookstores, newsstands, supermarkets, and drugstores have racks of paperback books for children. You'll find old favorites here, as well as new titles. Perhaps you could buy your child a book for a birthday or holiday. Books last longer than most toys and can be enjoyed by many people in the family.

Share Books With Your Children

This will help them develop their language skills and lay the foundation for their later success as readers and writers. But these are not the only reasons to share books with babies and children. One of the best reasons is that it's so much fun, both for you and your children, to read and laugh and learn together as you turn the pages of a book. New books and old books. Picture books. Nursery rhymes and folk tales. Big books that take up your whole lap. Small books that fit into your child's hand. Books with bold, bright illustrations and ones with small, shadowy pictures full of secrets. Books and more books!

About the Family Reading Project

In the course of the past ten years, the Vermont Council on the Humanities has organized book discussion groups in more than 120 of Vermont's 210 town libraries. People have read deeply in those programs, which have covered a range of themes "from history to mystery." Four years ago with the help of the American Library Association and the NEH we began to circulate a series on children's literature titled, "Not For Children Only." We thought of these strictly as adult programs.

Two years ago we made the connection to *families*. We began to support book discussions for adults who were learning to read for the first time. Vermont's Adult Basic Education tutors helped us select book lists on such themes as "Thinking About History" and "Thinking About Friendship." To be sure that our participants would have a chance of completing the reading, we selected from those wonderful books many people first encounter as children. We prefer not to call these books "children's literature," but simply "literature." The fact that it is illustrated and is easy to read takes nothing away from its rich content. Indeed, it was the idea of discussing the content of these books on an adult level that generated such enthusiasm among the teachers and participants in our ABE programs.

We discovered that the books we gave the participants were becoming a part of the household and that parents and children were sharing the joy of these wonderful stories. Seeing that kind of effect, we wanted to extend it to all households. Thus, The Family Reading Project was born.

We are currently organizing book discussion programs on four themes, *Friendship, Courage, History,* and *Home*. We envision adding more themes each year. For each theme we hold four programs, usually spaced a month apart. At each program we discuss the content of three books of varying difficulty, and we devote the fourth program to poetry. At our programs we talk about the issues in the stories on an adult level, based on our life's experience. But we also share stories about reading with our children at home and we learn from each other how to give our children the best, most sustained introduction to the great treasure that is reading.

Dennis DeBevec, Chair
Vermont Council on the Humanities
January 1989

The Family Reading Project
of the
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(802) 888-5649

Give the Gift of Reading

The Family Reading Project
of the
Vermont Council on the Humanities

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A love of reading begins with love, and the skill of reading follows.

You can start reading to your children even when they're infants. They love the time you set aside for them to show them pictures in the books. As they learn to talk, ask them to name the colors and objects in the pictures. Talk to them about the stories you read. Then, when they enter school, they'll take your gift with them—their love of reading.

How to read to a child:

1. Choose a book that interests both you and your child. Your librarian can help you choose wonderful books.
2. Find a time of day that suits you both. Start at the same time and stop at the same time each day.
3. Turn off the television and radio.
4. Hold the book so your child can see it and touch the pages.
5. Let your child ask questions or ask you to read a page again.
6. Be willing to read the same book again, as long as you and your child still like it.

When you read this way, your child will learn to be an alert thinker even before learning to read. Children learn to love reading when we care enough to share stories with them. Our caring is a gift that will last them all their lives.

For more ideas on reading in the family, ask your librarian. There are many books that can show you how to be a part of your child's education.

Give the gift of reading. It's priceless.

Free Programs

The Family Reading Project includes discussion programs for adults who want to learn about exploring books with children.

Each series of programs follows a theme such as friendship, courage, or home, and consists of four meetings at monthly intervals. At each meeting, a discussion leader guides the review and group discussion of the books. Free child care is provided.

Participants receive a free set of the program's children's books to keep and share with their family. Tapes of the books are available on loan.

The Vermont Council on the Humanities offers these programs in several towns each year. Adults who are learning to read are welcome. A free tutoring is available (call the toll-free number listed below for information about tutoring).

For information on programs, contact:
Vermont Council on the Humanities
(802) 888-3183
The Vermont Reading Project
(802) 875-2751
Adult Basic Education
1-800-322-4004 (toll free)

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Vermont Council on the Humanities

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Final Performance Report

NEH Grant No. SO-20870-88

Project Title: **The Family Reading Project**

Background

The Family Reading Project, also known as "**Connections**," is a reading and discussion program originally designed for adult new readers--people enrolled in Adult Basic Education and able to read at 2nd- or 3rd-grade level. Introduced in 1986 for ABE students, the program met an emerging need to enhance the one-on-one teaching philosophy that had characterized ABE for a decade. The humanities program, **Connections**, offered a means of involving ABE tutors in a partnership with humanities scholars and students, all working toward the common goal of group meetings to reinforce individualized literacy education.

These group sessions were in all respects like the book discussion groups that flourish throughout Vermont and elsewhere, and which account for two-thirds of all humanities programs in Vermont, over 500 events per year. The discussions, guided by a scholar in the humanities, were thematic, and participants spoke in the meetings on an equal standing. The program format enabled adults who read at a primary level to take part in discussions characteristic of higher education.

The **Connections** programs' popularity took everyone by surprise, making a revolution in literacy education in Vermont. By the second year of **Connections**, the Council was supporting ABE discussion groups at 14 sites. It was already clear that family life was changing for the people in these discussion circles. Students took home tapes of their books, and their children soon began memorizing the tapes for the sheer pleasure of the narratives. Parents, too, got deeply involved, so that reading became, in some instances, more urgent than getting supper on the table at the usual time.

Seeing the impact of this program on the lives of marginally literate families, the Vermont Council on the Humanities asked, "Wouldn't this be a good thing for all families?" With that question, the **Family Reading Project** was born.

The Proprosal to the NEH

The Council decided to package the **Connections** project under a new name and to invest heavily in promoting it. The **project summary** said:

> This project will engage parents in a discussion of children's literature (5th grade and below) with the goal of encouraging people throughout Vermont to read to children. Humanities scholars in the fields of Literature, History, and Philosophy will lead discussions of children's literature organized into four series on "Friendship," "History," "Courage," and "Home." Each series is composed of three programs held at monthly intervals, and each program includes three titles at different reading levels, from picture books to 4th or 5th grade level, for a total of nine books per series. Local libraries in 20 towns will conduct one of the four series in 1989. The project is modeled on recent Vermont programs developed for parents who themselves have just learned to read and it will again serve that population, as well as parents who read without difficulties. Tutors

from Vermont's Adult Basic Education Program are involved in the project to facilitate participation by parents with reading difficulties. Accompanying these discussion programs is a major advertising campaign using TV and radio PSA's and printed brochures to promote the **"Family Reading"** concept and library use, and to highlight the humanities as a life-long interest.

The proposal described the following elements of the project:

* Group size was projected at 30 people.

* The Council anticipated more demand than the 20 sites the Exemplary Project proposal could support, and pledged to fund additional sites via regrants.

* The project offered to reach sponsors and towns that had not previously taken part in reading/discussion programs.

* Two workshops for scholars, librarians, and ABE tutors would set the stage for the reading/discussion programs.

* The promotional campaign would include posters, sample press releases, a brochure and bibliography, and a TV announcement featuring John Ratzenberger from the NBC CHEERS program. The brochure would be widely distributed through the offices of doctors, dentists, and social agencies, as well as libraries.

* Staffing would include a program manager, public relations manager, and evaluation manager, all external to the Humanities Council staff.

* Evaluation would include independent scholars, Council members, and participants.

* Future plans involved two pending grant applications with the NEH, one to serve elementary school children and another to serve "latchkey children" in high school. The NEH panel resisted both projects because of their use of children's literature. Having failed to anticipate this scholarly bias, the Council did not make a case strong enough to overcome it.

The Council requested $74,897. We were later told that the subsequent award of $34,300 might have been substantially higher if we had provided more depth about the way humanities disciplines would be related to the project themes. We had concentrated on selling a process of instruction at the expense of detailing the nature of the lesson plans of scholars in specific disciplines dealing with specific books.

News of the award was accompanied by a condition that no funds be spent for the video promotional spots. The intent of the award was to support 10 sites rather than 20 and to concentrate promotional spending in print publications. The Project Director, Michael Bouman, asked that the NEH not stipulate line-item constraints in a project of this scope, pointing out that the NBC CHEERS program star, John Ratzenberger, would donate his services to the video

production, and that the public relations consultant, Bill Kinzie, would be able to achieve top- quality results on a budget of only $5,000. The NEH staff agreed, and a contract was issued without constraining language.

In June of 1988, the Council authorized the staff to expend a reasonable amount of time trying to raise extra funds for the **Family Reading Project**. These efforts with foundations and private benefactors eventually brought in another $14,000 in program funding.

Proposal Writing

Council staff spent much of the available time in June and July of 1988 on foundation research and foundation proposal writing, trying to make the fall agendas of potential funders. The success rate was not high; our supplemental funds came from unexpected sources. The Hasbro Children's Foundation, which does not ordinarily support programs for adults, granted $5,000. Another $5,000 came from an anonymous donor who had first-hand knowledge of the **Connections** program. A printer donated part of the cost of the brochure.

Printed Materials

With a reduced budget, the project director, Michael Bouman, who is the Council's principal writer/editor, took up the task of writing and designing the brochure with advice from Council Chair, Dennis DeBevec, a public information officer with the Vermont Department of Corrections. Bouman developed copy, had a friend create a mock-up with desktop publishing software, and circulated the model to ABE tutors, Council members, and reading specialists. One ABE tutor contributed line drawings to illustrate the brochure, but they didn't create the loose, informal effect desired.

Our media consultant, Bill Kinzie, recommended a local artist, Kate Peatman, whose illustration of her husband and son reading in a rocking chair became the symbol of the project. The core of the brochure was a panel containing six tips on reading to children.

Others contributed to the project. Many professors of education sent information about material available from other sources. The Adult Basic Education coordinator, Jennifer Howard, generously supplied relevant information that crossed her desk. Among the items she sent was a booklet written by Joan Brest Friedberg and Elizabeth Segel, co-directors of the Beginning With Books program at the Carnegie Library of Pittsburgh. The eight-page booklet seemed a perfect companion to the project brochure. It explained the role of parents in preparing children to be readers, and its photographs were charming. Michael Bouman obtained permission to republish the booklet, photos and all, as a **Family Reading Project** item.

Much of the available time in the fall of 1988 was devoted to these two publications. Late in the fall, the Vermont Medical Association provided a mailing list, and over the Christmas break, we put that list on the Council's computer and sent a letter asking doctors and dentists to display the brochure. Scores of offices responded. Within two weeks in 1989, we exhausted our initial supply of 20,000 brochures, and we immediately ordered another

20,000. In addition to the doctors' offices, every library in the state, and every bookstore, had a supply of brochures available for people to pick up from the counter.

Our publications had worked well, though at a cost of much more human labor than anticipated. It had not proven feasible to turn the management of design and copy writing over to Bill Kinzie, whose specialty is overall conceptualization and video production; and there was not enough money in the budget to hire yet another consultant, so the project director did the work himself. The distribution of print materials might well have been more extensive if we had hired someone to pursue all possible outlets for the brochure. Possibly, we drew the line too early. Our management choice was to put project money into program rather than into staff, with the result that distribution of the brochure was not as pervasive as we had imagined it could be.

Promotional Video

Bill Kinzie and the project director worked together for weeks on the concepts and scripts for the John Ratzenberger promotional video spots. A writers' strike in Hollywood closed down the studios during that period in the summer of 1988. Then, what had seemed an "agreement" by Paramount Studios to allow free use of the CHEERS set for the videos became less of an agreement, and it was thought best not to press the matter. In September, Bill and Alice Kinzie flew to Los Angeles, rented some equipment, and set up a studio in Ratzenberger's garage. Ratzenberger would return home from a day on the CHEERS set (the strike having been settled), look over the script for the **Family Reading** video, and launch into his lines. The Kinzies brought back five video spots at a cost of about $5,000. Their media colleagues in Vermont thought they had spent $50,000 to get such high-quality results. The videos aired on all three Vermont network affiliates from Thanksgiving of 1988 through the winter of 1989. Most people who saw them thought The **Family Reading Project** was a national project, not a local one.

Orientation Workshops

Sally Anderson directs the Vermont Reading Project, an organization that schedules and disseminates book discussion programs throughout Vermont, reaching over 60 communities each year. We engaged Sally Anderson to serve as the program manager of the **Family Reading Project**, with responsibility for scheduling humanities scholars, selecting titles, and selecting program sites.

She held two orientation workshops, as planned. One took place in October, 1988 at the Rutland Regional Library. It included some participating librarians, some ABE tutors, and a few scholars. The second took place at the Department of Education in Montpelier at a meeting of regional Adult Basic Education coordinators.

While the workshops were helpful to those present, they did not accomplish the goal of bringing most, or even many, of the participating scholars, tutors, and librarians together. Experience has taught us that scheduling conflicts always work against the success of such a plan, and that no project's success should depend upon large-scale participation in such a workshop. Sally made up

for the incomplete attendance with a lot more one-on-one orientation. In hindsight, we would judge the one-on-one conversations to have been critical to success and would plan on that mode of engagement in the future. Workshops are necessary, but not critical.

Programs

The initial idea of the composition of the audience was flawed. Where we had anticipated large numbers of Adult Basic Education students integrated with other adults, the actual events were richer and more diverse than our terminology can suggest. It became evident that we needed to maintain a two-tiered approach to the programs, with some reserved for new ABE participants and others open to all. The "all," however, included many people who, while able to read, were also in the client population of other social programs such as Foster Care and Head Start. In Addison County, eight separate agencies asked to be included in the programs, and we had to offer several sections to accommodate the participants. In some cases, schools wanted to sponsor the **Family Reading Project** as a way of involving parents. We had not anticipated school participation so early in the process, and it pleased us.

One school, the St. Johnsbury Academy, joined the program because of a conversation that took place in one of the preliminary workshops. Brad Ashley, the Head of the English Department, had made a remark about the decline in high school reading levels. Michael Bouman said to him, "Why don't you figure out how to teach your students about family reading. The kids in your classroom will be the parents of the students you will face in the year 2005. If you affect the way they think now, the reading level in the school district will improve demonstrably by the year 1997." For Ashley, the vision of his young students as parents-to-be convinced him that the school could make a difference in the overall decline in reading skills, and the Academy became the sponsor of two successful series of **Family Reading** programs.

Our estimate of group size proved too high. We estimated 30 and averaged 15, a much more comfortable size for the intense participation that occurred.

Our estimate of escalating demand was correct. The Exemplary Funds allowed us to support 13 series of programs, and we made regrants to support another 11 in the same season. We succeeded in drawing in new towns and new sponsors, but especially new co-sponsors among the social agencies.

Here is a listing of the towns served under the Exemplary funding:

Town	Theme	Sponsor	Programs
Bennington	Courage	Library	4
Bristol	Courage	Library	3
Fair Haven (a first)	History	Library	4
Killington	Friendship	School (1st)	4
McIndoe Falls (1st)	Friendship	Library	4
Middlebury	Friendship	Library	3
Middlebury	History	Library	3
Middlebury	Courage	Library	3
Morristown	Home	Library	3

St. Albans	Friendship	Library	4
St. Johnsbury	Courage	School	4
Springfield	Home	Library	4
White River Jct.	History	Library	4

Scholar participation turned out to be less extensive than anticipated. We had expected to conduct a major recruitment campaign, drawing in many new historians and teachers of philosophy to augment the core of teachers whose primary field was literature. Of the three history professors who had worked in the initial **Connections** programs, none worked in the **Family Reading** programs. We did not use any of the philosophy professors who had volunteered for the project because the local sponsors had the latitude to select from a list, and they selected literature professors or two professors of Education who had done well in "**Connections**." Therefore, this program did not generate waves of new scholar participants. Nor did it reflect the diversity of disciplines we had imagined when writing the proposal.

Instead, the project presented us with a diversity of participants never before encountered in our programs. These participants not only read and discussed books, but helped to sponsor and organize programs. Our reality surpassed our expectations.

Continuation of the Project

In the fall of 1989, following the impressive response to both **Connections** and **Family Reading** programs, the Vermont Council on the Humanities adopted a 10-year initiative to achieve full adult literacy in Vermont by the year 2000. The humanities components of the initiative include:

Book discussions using the **Family Reading** and **Connections** models and exploring diverse themes.

An annual humanities conference for students and tutors in the Adult Basic Education Program. The first such conference took place in October, 1989 and served 241 participants, most of them students. This was a Council project titled "Books and People, a Celebration" and it focused on reading and discussion of Katherine Paterson's *The Great Gilly Hopkins*, with Paterson as the keynote speaker. The *New York Times* printed a story on the event, remarkable on many levels. The second annual conference took place on November 3, 1990, with 300 students and 94 tutors registered. The conference retained the title, "Books and People, a Celebration," and it featured reading and discussion of Forrest Carter's Native American classic, *The Education of Little Tree*. The Native American author, Joseph Bruchac, was the principal speaker.

"Radio Reading" programs on commercial and public radio. Our grants to Vermont Public Radio supported a national series titled "Selected Shorts." Our grant to Central Vermont ABE supported a 13-week series of read-aloud programs on a prominent commercial AM station, WDEV. The "Radio Reading Project" on WDEV included study guides for local use by ABE tutors. That

series was so successful that the station offered to contribute the time for a 26-week series in 1991. A grant application to support the project was approved by the Council in December, 1990.

In October, 1989, the Council submitted an Exemplary Award proposal to the NEH to extend the **Family Reading Project** and **Connections** into the realm of Greek mythology. Our **Odyssey Project** was funded at nearly $75,000 and is about to get under way. There is tremendous enthusiasm for learning about the *Odyssey* and the classical past. We are using Robin Lister's "retelling" of portions of the *Odyssey* and D'Aulaires' *Book of Greek Myths*.

To support these and other programs, the Council has contracted for part-time help. Joan Nagy, former Executive Director of the Ann Arbor Foundation and a resident of Vermont, joined the staff during the summer of 1990 to develop foundation proposals to support nearly one million dollars in operational and program costs associated with the literacy initiative in the next three years.

Evaluation

Professor Jennie Versteeg of the Economics Department of St. Michael's College, an outstanding humanities project director and evaluator, was contracted to serve as Managing Evaluator. She engaged humanities scholars to visit and evaluate programs at three sites. She then summarized her own view of the project in a final report to us.

Each evaluator had to make some adjustments in orientation when observing a humanities discussion for adults who had been (1) illiterate most of their lives, (2) isolated from mainstream institutions such as libraries or museums for all of their lives, and (3) stigmatized by themselves or others because of appearance, behavior, poverty, or ignorance. In all other humanities programs, the participants can be assumed to be well integrated into the community. Evaluators paid attention to matters of teaching technique as well as the materials in use.

There was no question that children's literature serves quite well in raising issues for a humanities discussion conducted by adults on an adult level. Fine children's writing is fine writing.

Evaluators did question, however, the aptness of particular titles for certain themes in the series. In the "Friendship," "Courage," and "Home" the book selection struck some observers as arbitrary. In truth, the committee working on book selection sometimes retained a book because of its general literary excellence rather than its close relation to the theme. No one seems to mind when literary merit is a deciding factor.

There are factors in book selection that the evaluators did not notice, however, because effective work had taken place behind the scenes and before the programs took place. No evaluator noted sexist or racist language or images in the books. It had been a goal during evaluation of titles to avoid using material that treated stereotypes. There were hours of soul-searching debate during the book selection phase of the project, as images of fathers, mothers, Indians, and blacks were considered.

Some evaluators felt the discussions had an unfocused quality, although enthusiastic and fully participatory. The question of focus was a good one. It is one of the marks of a program like this that one of the first orders of business is to achieve a sense of trust and familiarity between the scholar and the participants. The scholar's first order of business is to learn names and get people into the discussion. That is a major step. The scholars had a variety of means for eliciting participation, and all of them worked well, even though the observers noted personal preferences. The second order of business is to steer the discussion to the matters in the readings, to help people to notice how writers and illustrators work their magic, and to encourage people to draw connections between their life experiences and the lives narrated within the stories. In this respect, once a **Connections** or **Family Reading** program gets under way, an outsider would have a hard time telling the difference between the ABE student and the librarian.

Indeed, one of our chief findings of this project is that the generosity and participation of the local librarian is a key to success, while a stand-offish attitude spells failure for the program's large, long-term objectives of integrating people into mainstream culture.

In **Connections** programs, success requires devoted help from the ABE tutors, too. A program like this is not a machine that one sets in motion according to plan. It is a living entity. Its energy is derived from the enthusiasm people communicate to each other and from their investment of time. It takes a lot of time and effort to recruit and hold an audience, especially for a new program concept.

Impact on the Audience

The program model is not designed for the participation of large numbers at any site. It requires small group dynamics. Fewer than 500 individuals took part in the 13 series. But the **Family Reading Project** made a major difference in its participants' lives.

These programs have results far beyond the sites at which they were conducted:

-- There now exist within the ABE community a number of student advisory councils organized by students, on their own initiative, to give them a say in the development of programs serving their interests. These student groups represent significant cultural change for those involved. Though the initial empowerment was cultural on a personal level, the effect is cultural (in a much larger sense) on family, social, and political levels.

-- ABE students, as a result of their reading programs, helped organize the annual student humanities conference. Tutors noted a phenomenal surge in motivation and achievement after that conference. Our conclusion is that the feelings of pride, enthusiasm, and solidarity translated into increased confidence and academic progress.

-- Dozens of ABE people in Central Vermont now think of Katherine Paterson and Joseph Bruchac as their friends. Their interest in literature has grown from an initial fascination with its magic to an awareness of its nature as *something made by another person.*

Grant Products

We produced a booklet and brochure on family reading and distributed them through the book discussions, through doctors' offices, and through bookstores.

Publicity

The John Ratzenberger 30-second promotional spots aired on all three network affiliates from November, 1988, through the winter of 1989. Press releases advertising the programs appeared in the free weekly papers that are ubiquitous in Vermont and in some of the dailies, though in reduced form.

Additional Material for the NEH Division of State Programs

1. How did this project further the overall goals of the Council?

The project demonstrated our commitment to audience expansion through our best kind of program, the book discussion. It led to expanded programming and to a new commitment to lead a drive for full adult literacy in Vermont by the year 2000.

2. How did the project advance understanding of the humanities?

The project demonstrated that literacy education could be energized by linking it with study and discussion of the content of serious literature. Abundant comments by participants revealed the reason why narrative literature is such a potent cultural technology, and why people both to devote their lives to its creation, study, and enjoyment.

3. How did the project use the resources and address the needs of the state?

The project relied on an existing network of ABE tutors, librarians, and professors. Those networks helped spread the word to related networks, so that what resulted was a community of like-minded people who shared a common enthusiasm and goal. It is estimated that perhaps 58,000 Vermonters, or about one in ten, are illiterate. The state needs to find a way to bring about a cultural transformation, not just a massive quick fix. The humanities programs provide a means of changing one state's culture by enhancing the cultural experience of people on the fringe of that culture and arresting the cycle of illiteracy.

4. Did the funds allow the Council to do something it would not otherwise have been able to accomplish?

Yes. The scale of the literacy initiative is huge. Every part of it will require additional support.

5. Have there been any spin-offs, such as other regrant projects, within the state?

Yes. See above under "continuation."

6. Has the project become a model in any way?

Yes. The New Hampshire Humanities Council recently funded a project using our model.

7. Has the project contributed to the program development activities of the council?

Yes. It has led to the development of new themes and to the recruitment of new sponsors, new funders, and new scholars.

8. Did the results of the project justify the cost and staff-time required?

Yes. It led to a major new program initiative that will take us into the next century.

CENTRAL VERMONT HEAD START
THE FAMILY READING PROJECT

One of the requests of the 89-90 Policy Council was to address literacy needs of parents participating in Head Start. One particular Policy Council member wanted to see parents get books just like the children experienced with the RIF Project. Family services coordinator Sarah Mehegan consulted with Mary Leahy, coordinator of Central Vermont Adult Basic Education, to see what was available to address literacy needs. Mary suggested introducing our parents to the possibility of participating in a Family Reading Project.

The Family Reading Project is an off-shoot of the Vermont Reading Project and is funded by a grant from Vermont Council on the Humanities. The Projects involve participants, literature that follows a theme, and group discussions led by a scholar that are held in a library. What sets the Family Reading Project apart is that it involves children's literature. It is also geared to families and particularly families with adults with limited reading skills or an interest in learning more about children's literature.

Mary Leahy came to the October, 1990 Policy Council and gave a presentation on the Family Reading Project. She stressed that the gift of participating in a Project is what happens when people get together over books. ABE has integrated participation in the Project into the classroom instruction of adult learners. The Policy Council was interested, so Sarah Mehegan proceeded by contacting Vermont Reading Project coordinator Sally Anderson to see what could be done for Head Start families in the Central Vermont area.

In November Sarah Mehegan met with Sally Anderson, Mary Leahy and several ABE teachers from Orange and Washington Counties. The group decided that although Head Start home visitors and ABE teachers serve in different capacities (Head Start is more family-focused and ABE more adult focused) we are essentially seen by our clients as educators. We also in many cases serve the same economic population and have some dual enrollment. We decided to poll our people to see what kind of interest there was in participating in Projects together. Sally Anderson contacted possible scholars to lead the discussions along with the libraries in each area to see what interest there was in hosting a group. In the end, we had good responses from libraries, Head Start parents and ABE students in several communities. Through coordination with Sally Anderson, ABE personnel, community librarians and Head Start personnel we made plans for Family Reading Projects in seven communities.

The themes offered are friendship, home, courage, and history. After choosing a theme, participants received 10 books from the bibliography offered by the Vermont Reading Project. They range in appropriateness from preschool to upper elementary ages. The books

were sent to Sarah Mehegan and then disseminated to participants through home visitors. It was stressed that it was important for Head Start home visitors to be invested in the Project also. Although they are not tutors nor did all the participating parents need tutoring, home visitors were encouraged to monitor the reading of the books and to participate in the group discussions.

Sarah coordinated the discussion dates with the librarians. Discussions were spaced out over a three month period of time and each discussion was centered on three or four of the books related to the theme. Each librarian was to arrange childcare. Librarians usually have a list of possible providers in the community for the various library activities. The Project paid for childcare along with mileage reimbursement for participants. Most of the librarians took it upon themselves to provide refreshments.

We ultimately ended up with four scholars who divided their time leading discussions in six communities. The scholars were Geoff Hewitt, poet, teacher and presently with the Vermont Department of Education; Ken Smith, Dean of Students at Norwich University and a former English teacher; Garret Livermore from the Shelburne Museum Department of Education; and Susie Wizowaty, teacher at Goddard College and writer of children's literature.

Each scholar had their own approach to leading a group. Mr. Livermore led the Montpelier group in the discussion involving books with the history theme. His approach was instructive and he brought many artifacts and objects from the Shelburne Museum that he used in the discussion. When the book The Quilt Story was discussed, Mr. Livermore passed around a quilt that was over one hundred years old. The quilt was made by a group of women and presented to a newly married woman who was leaving the community to move westward. Each quilter had put together a picture of something from the community that they wanted the new bride to remember. This fascinated the Project participants as some of them could recall quilts from their own families that have passed stories on to the present generation. One woman expressed that perhaps this would be a good project to do for the young girls in her family.

When the book Little House In the Big Woods was discussed some of the participants expressed that they had a difficult time with all the many details the author used to describe the tools and household objects. Mr. Livermore then demonstrated the procedure of making butter with an old butter churner. This helped participants to better understand the process and the many details of the butter churner described in the book.

There was also at least one book about Native Americans in each history discussion. Participants thoroughly enjoyed the many Native American artifacts such as moccasins and woven clothing that they were able to handle and inspect closely. For many participants this was the first experience of this kind. Some of the artifacts were from the Abnaki people who are indigenous to New England.

Susie Wizowaty led the group in Barre. This was a large group that consisted of ABE students and parents from two of our Head Start field offices. The theme was friendship. Susie's approach was to get people to talk about the content of the book and also the process of writing. She asked people how they liked the illustrations and how their children viewed the illustrations. When the participants discussed the book The Hundred Dresses which was written in the 1940's, some of the younger people commented that they thought the illustrations were "not that great" while the older participants seemed to love them. The book is about peer pressure and being made fun of because you are viewed as different. This generated a lively response as participants shared their childhood experiences of being ridiculed and singled out as "different". One parent shared how she had deliberately picked on one kid in her class that she saw as unusual. This parent stated how she clearly remembered pulling together her friends to agree with her in chiding the other child.

Another participant shared how her daughter was going through this very experience at school. She read The Hundred Dresses with her daughter who then requested to take the book to share with her teacher. This teacher was trying to help the children work on acceptance. Through this family, the Family Reading Project went to the public school.

Susie also shared her experiences of writing children's literature and how in many ways it is more difficult than adult fiction. The book The Biggest Bear is a story written in the early 1950's about a boy who makes a friend out of a bear cub. The boy solved his problem of the cub growing up into a rambunctious and always hungry big bear by giving him to a zoo. It was almost unanimous that if this book had been written recently, one would not write a book about trying to make a friend out of a bear. The group did not see the solution of putting a bear in a zoo as a happy one. So, the discussion then turned to how would one write a book about a boy and a bear, and why has there always been a fascination with bears?

Ken Smith led the group in the Connecticut Valley area. One parent stated that Ken had the ability to paint pictures in her head through his words and actions. When the group discussed the book Frog and Toad Are Friends, this parent could just picture a "silly little toad in his silly little bathing suit, feeling silly." Then this parent shared that she knew just how this toad felt, how she herself had felt this way at times.

Another point that this parent talked about in her experience of being in Ken Smith's discussion was that although many personal experiences were shared and people expressed different opinions, there was always an acceptance of each individual and their thoughts, fears and dreams. Ken kept the atmosphere light by using humor.

One ABE participant was so moved by Ken's description of how sad Toad was because he never got any mail. Frog then sent him a letter. The two friends waited together for four days for the letter to arrive because the mailman was a snail. But this gave the two friends time to enjoy their friendship while anticipating something good about to happen. At the next scheduled group discussion, this ABE participant brought a piece of stationary and an envelope for each participant with a request that they send a letter to someone they haven't written to in a long time.

The discussions are now all over. Thirty-three Head Start parents read all the books and attended all the discussions. These parents received from the Vermont Reading Project a complete set of Laura Ingalls Wilder's books to continue the experience of family reading. Head Start parents have not only books that they can keep to continue to share with their families, but the experience of talking about those books in a group setting. Many of the parents have commented that they never knew that one could get so much out of reading children's literature. These discussions and the opportunity to share their thoughts and opinions have enhanced the importance of reading in all of our lives. For some of the participants, it was the first time they were a part of what our community libraries have to offer.

Next year Central Vermont Head Start hopes to participate in Family Reading Projects once again. We have found that we do not have the adequate staff to coordinate a Project in each individual field office area. We will work with ABE staff in choosing three to four easily accessible locations and open them up to any interested Head Start or ABE participant. Some of the larger libraries are more able to accommodate group discussions for adults and also meet childcare needs. We will, however, be sensitive to prospective participants who prefer to meet only in their local libraries.

We look forward for our families to once again have the opportunity to receive and read good literature and also to experience what happens when people get together over books.

Senator JEFFORDS. Well, that's very encouraging testimony. Can you tell me how A.B.E. coordinates with Even Start? What is Even Start doing in this State?

A friend of mine in the House, Bill Goodwin, was the author of that. And I'd like to have a copy of that letter. I'll send it to Bill and he'll appreciate to learn how it works.

How does Even Start work here and how is it coordinated with A.B.E.?

Ms. LEAHY. It's coordinated centrally with A.B.E. Right now there are two projects awarded to Vermont, and I think this is two out of seven existing in the country, and one is in Brattleboro and one is in the Bradford area. The money funnels through the local school district.

And the Even Start Project that I am working with is the Orange Supervisory Union. It is a project that really bridges the gap between early essential education, adult literacy, and elementary education. Its focus is family literacy. It is helping adults with their literacy via helping their kids. I mean they are learning to be their children's own teachers.

And ways of doing that is to develop a very different idea of literacy. This is such a generation thing that that's exactly what's recognized in this project. And A.B.E. in the Bradford area is one of the three major collaborators in this project; the other one being the school district in early essential education.

Senator JEFFORDS. I see. It should be coordinated or at least have some dialogue to understand the joint benefit of working together.

I have a question for Joanne and Molly now. One of the quick questions: What are our counselors doing? Isn't that what they're suppose to be doing? The answer I get from those who I've asked and who know what's going on, say they just don't have time to do that. They are all trying to solve the individual problems of those individuals, trying to get them to stay in school. They just don't have the time.

I guess my question to you, Joanne, is that whether or not you're exposed to counselors, are they not understanding or what? How do you feel with respect to what you got from counselors in trying to help you think beyond staying in school? What was going to happen after you got out of high school?

Ms. TENNY. We have two guidance counselors at the high school, and I know that the two of them is not enough for the number of students at the school. And they're—I think that they're more concerned with getting everybody's schedule done, and not so much what you're going to do after your senior year as getting your schedule in and what classes you're going to take.

Senator JEFFORDS. Molly, what are your feelings?

Ms. BURKE. With the ratio of one to 400 students at the elementary school level and one to 300 students in the secondary level, I think time is the issue. There is a responsibility of getting schedules in place. There's a responsibility of trying to meet with at least ever child during that 10-month period of time and I think there's an effort. One of their responsibilities, obviously, is if they have juniors and seniors to look at where they intend—what their educational direction is—I do think it's a question of time and numbers.

Senator JEFFORDS. The consensus is that its too late if by your junior and senior years you haven't created that interest in the knowledge that there's a life after high school for people who may not think in terms of post-secondary education. It's too late to start in the junior and senior years. Is that your perception?

Ms. BURKE. Yes. And I think that's one of the major responsibilities of that elementary school guidance counselor to have to make the awareness of the child of the potential of what's out there and what they can do, and I think that's a critical element from K-5 and build upon that.

Thirty years ago, the economic background of someone did not determine whether or not they went on to college. It was the parental involvement. It was—there were no guidance counselors in the elementary level. I think a great deal of guidance was done through the parent structure and the elementary school teachers structure.

Senator JEFFORDS. Thank you very much. Excellent testimony. Pleasure having you all here.

We're going to take a break now for 10 minutes.

[Recess.]

Senator JEFFORDS. I think we'll call the hearing back in. Our next panel will discuss the problem of facilities which I mentioned in my opening comment. Dr. George Davis, president of the University of Vermont; Dr. Paul Reiss, president of the Saint Michael's College; and Carl Riden, physical plant director, Trinity College.

This is a scenario of great interest to me looking at the national prospective answers and trying to get a feel if the needs are as great as we're told they are, and the problems that will confront us if we don't meet these needs. I'm very glad to have you here.

And I was on the past Trade Bill to get a program through to try and assist us in the area of science laboratories in our institutions, post-secondary education. The Nation's needs are up in the $60 billion's and the funding level of $20 million is probably not a very big start, but at least it's a start. So I'm here to say I feel very strongly that if it is a need, it is important. And if we do have problems with keeping pace with our facilities in our colleges throughout the country, then we ought to fight and make the Nation aware of it. Even though it would be realistic to think that we would have substantial funding this year, it would not be a very reasonable one. Still, we have to let the Nation know what needs to be done.

Dr. Davis, again, welcome here and welcome to Vermont, and please provide us with your comments.

STATEMENTS OF GEORGE DAVIS, PRESIDENT, UNIVERSITY OF VERMONT; PAUL J. REISS, PRESIDENT, ST. MICHAEL'S COLLEGE; AND CARL RIDEN, PHYSICAL PLANT DIRECTOR, TRINITY COLLEGE

Mr. DAVIS. Thank you very much, Senator. It's an honor to be here, and I would like to thank you for making this hearing possible. We so appreciate your commitment to facilities, your concern about the state of facilities in higher education in person today.

Let me first say that as a newcomer to higher education in Vermont, I'm extremely proud to be in a State that proclaims its Vermont educational goals as follows: Vermont will create responsible individuals and citizens to be committed to learning throughout life; the Vermonter will restructure their schools in order to support very high performance for all students; Vermont will attract the most effective teachers and school leaders in the Nation; and Vermont parents, educators, students, and other citizens will create powerful partnerships to support teaching and learning in every community.

I think those lofty goals are not pie in the sky. It speaks so well for Vermont and its value system with respect to education at all levels. I think it's no accident that Vermont has gravitated to those goals. The important role of leadership set an example over the years, perhaps beginning with Senator Morrill and expanded by Senator Aiken and continued by Senator Stafford and, of course, now being carried forward by you.

The University of Vermont is a very important national model for land grant universities. I think when Senator Morrill conceived a land grant university system, he was using UVM, University of Vermont as a paradigm. And when Senator Aiken helped shape the National Science Administration, he held up and pointed to the wartime reserve contributions of the University of Vermont as an example of why Federal education and reserve funds should be equitably distributed among all universities and not merely distributed among a few elite universities. I think, similarly, the national issue engaging over relative roles in teaching versus research can be spoken by a university like the University of Vermont that, I think, has shown a strong commitment to undergraduate education over the decades and, yet, at the same time, it's an undergraduate education that is supported as well by creative scholarship.

As we look at the third century of the history of UVM, we see enormous opportunities not only for the university, but most importantly for the State and the students and the families that we serve. There's a convergence of opportunities that we think is taking place. One is a relook at the outreach mission of universities throughout the country and what does it mean to be land grant.

Traditionally, land grant was so focused on outreach to agriculture and perhaps agri-engineering projects. Perhaps, the land grant university is very far ranging, and as we see it today it includes in a very significant way the partnership outreach responsibilities and opportunities that connect a university with K-12 within a State like Vermont.

When I first arrived in the State of Vermont, I had the opportunity to visit the 14 counties and to learn from the citizens of the State what their views were toward education and toward the role of the University of Vermont in particular. There was a lot of interest, as I indicated earlier, in applications to agriculture, but enormous interest as well and concern about the degree to which the universities are serving the State with respect to connections with K-12.

The clear message that I received from the people of Vermont is that they prize education with as much fervor as people anywhere,

and that they were fearful that their children will not receive the education that they'll need to fulfill their dreams. And second, the clear message that UVM can and must apply a greater role in empowering the educators in serving the greater needs of their students. For this to happen, partnership is essential and the partnership, of course, includes the State's higher education community as well as the Federal Government.

I think the State of Vermont is uniquely positioned to be a national leader and role model in terms of the kind of partnership that we might envision. The scale of Vermont, the size of Vermont, the fundamental commitments to education that is so clear in Vermont. And this opportunity is further enhanced by the fact that we have a person in the form of our Commissioner of Education who has such a vision and such a high level of energy and such commitment to goals of this nature. He is forward looking and he is committed to both improved linkage between arts and sciences and to the enhanced role for higher education in serving schools across the State.

The higher education community in the State is remarkable and unusual. The colleges and universities both in the public and the private sector are linked together through the Vermont Higher Education Council of which Paul presides at the moment. And this is a mechanism, an instrument whereby the colleges and the universities can indeed and do indeed coordinate their efforts, whether their efforts be in continuing education or into program development. All of us who are members of that organization see that in the future with tighter and tighter resources and greater and greater needs, we need to do an even better job in coordinating what it is that we feel are our fundamental responsibilities.

Third, the Federal Government—the role of the Federal Government in addressing colleges and needs in education is just of insurmountable importance. The decade following World War II, for example, saw a commitment by the Federal Government for education at all levels, and that dedication transformed our society. The passage of the GI Bill opened the doors of education to groups previously closed out. The creation of the National Science Foundation recognized university research as a national resource. The National Defense Education Act spurred improvements in the instruction of math, science, and foreign languages at both the secondary and elementary schools, colleges, and universities. The Federal Government has served repeatedly as a catalyst for the educational innovation needed to allow the Nation to face impending challenges.

This hearing is a part of this ofttimes forgotten tradition of Federal involvement in higher education. The Higher Education Act, which you will reauthorize this year, contains the descendants of many of these early programs.

One program, however, does not survive and its rehabilitation is critical to higher education in this country.

Title VII authorizes funds for the construction and renovation of facilities for instruction. It is a vestige of a commitment to university infrastructure that died in the early 1970's. Teaching and research, like transportation and communication, are enterprises that require tremendous investment in infrastructure. If this infrastructure is not maintained, the bridge eventually collapses and

must be rebuilt at tremendous cost. We are now at the time when the brides of higher education are beginning to crumble and the national repair bill is estimated to range from $12 to $50 billion. If we do not invest in facilities today, we will not be able to deliver our services tomorrow. The Federal Government can and must renew its commitment to university research and instructional facilities or new visions like outreach that I have been alluding to, this vision of outreach that can be delivered from a land grant university, an outreach that is connected totally to the fundamental scholarship and research that goes on.

If I can take a moment to illustrate the mission in concrete terms. We are now—the University of Vermont draws on the leadership both from the College of Education and Social Services as well as the College of Arts and Sciences to link with local school systems and serve as a model for national education reform. UVM's close relationships with teachers and administrators of the local school districts will enable far-reaching effects on the quality of instruction provided to the students of Vermont especially when that challenge and partnership are in turn linked with strength and quality of the arts and sciences program at UVM. In an effort to increase the cooperation between the State and Federal Government and local school districts, the university will transfer the existing knowledge of its historically strong arts and sciences and educational programs to students and teachers throughout the Vermont community. The Arts and Sciences Center for Excellence in Education, we believe will enable the university to reach many parts of the State through new technology. It will enable the university to move from perhaps a piecemeal approach to a more holistic approach.

Our goal is simple. The center will seek to improve the performance of students in science, math, literature, and foreign languages and will expand the instructional skills in elementary and secondary schools. The Arts and Sciences Center for Excellence in Education will also serve as a laboratory for university faculty to study and improve in their own teaching. We will intend to train and retrain our teachers and create an educational community in Vermont which will serve as a demonstration for the entire Nation and will help the entire Nation exceed global standards for quality in education.

A final point—we believe that efforts to improve quality of education in Vermont combined with your efforts to keep disadvantaged youth in the classroom offer the greatest opportunity for our children. It's initiatives like this that bridge the relationship between secondary and higher education, that hold the key to our Nation's future.

[The prepared statement by Dr. Davis follows:]

PREPARED STATEMENT OF MR. DAVIS

Mr. Chairman, members of the subcommittee, thank you for the opportunity to appear before you this morning. I would like to offer particular thanks to Senator Jeffords for making this hearing possible, for his leadership in shaping higher education policy and for his longtime support of the University of Vermont.

Let me begin by introducing myself and my university. My name is George Davis and I am the recently appointed president of the University of Vermont—one of the oldest State university in the Nation.

Vermont, as you know, has played an important role in the history of higher education in this country. Our leaders in the Senate established a legacy that began with Senator Morrill, expanded with Senator Aiken, wad continued by Senator Stafford and is now being carried forward by Senator Jeffords.

Similarly our colleges and universities served repeatedly as national models. When Senator Morrill conceived the legislation that created the land grant university system, the University of Vermont served as his paradigm. When Senator Aiken helped shape the National Science Foundation legislation, he held up the wartime contributions of the University of Vermont as an example of why Federal education and research funds should be equitably distributed amongst all universities and not merely divided between a few elites. Now, when many institutions are rethinking the relationship between research and teaching, UVM is widely acclaimed for its ability to provide a quality undergraduate education in a research environment.

Today, as UVM looks toward its third century, our Nation stands at a crossroad in history. Despite our efforts to improve access to all levels of education, fewer and fewer Americans have the skills needed to empower them to lead satisfying and productive lives. We cannot remind ourselves too often of Jefferson's early admonition that not only our competitiveness but our very way of life depends on the success of our educational system. To meet this challenge I envision a new and powerful role for our land grant universities—a role in which UVM will once again lead the way.

Land grant universities, like UVM, were established in order to identify needs and disseminate solutions to problems plaguing the communities they serve. In the past, we have looked primarily to agriculture and technology transfer. In the future, our focus must be on outreach, particularly outreach to those who toil to educate our children in elementary and secondary schools through out the State.

When I first arrived in Vermont, I visited each county and listened to the ideas and concerns of parents, students, teachers, business persons, and legislators. I also took this opportunity to speak with them about my vision of the special responsibility of a State university. Two important ideas came from these meetings. First, the clear message that the people of Vermont prize education with as much fervor as people anywhere and that they fear that their children do not receive the education they will need to fulfill their dreams. Second, that UVM can and must play a greater role in empowering local educators to serve the needs of their students.

Partnership

The vision of a new generation of land grant universities which I am suggesting and the citizens of Vermont demanding is not one in which any university can succeed alone. Three constituencies will be critical to our success or failure—state and local government, the higher education community, and the Federal Government.

A. The State

We in Vermont are uniquely situated to develop and implement this model partnership. The relatively small size of our State and the commitment of our teachers creates an ideal laboratory that will touch all of our children and have a chance to succeed. This position is further enhanced by the vision, energy, and commitment of our Commissioner of Education. He is forward looking and is committed to both improved linkage between the arts and sciences and to an enhanced role for higher education in serving schools across the State. The university, with its history of working closely with schools, is uniquely placed to implement cooperative endeavors.

B. The Higher Education Community

This model will not succeed unless colleges and universities have the intellectual resources and the commitment to reach out to the community in a new way. When I returned to the University of Vermont following my county meetings, I initiated a comprehensive review of the university's programs, resources, and goals. This review brought to light two important things: First, that most of the resources and commitment already exist at the university and need only to be pulled together and enhanced. Second, that the faculty and staff of the university share a vision that includes a closer integration and scholarship and outreach, to build a closer relationship with the community at large. Unlike any other institution with which I am familiar, the University of Vermont is positioned to lead the Nation in developing a new "breed" of land grant universities with new responsibilities to the community.

C. The Federal Government

Education has traditionally been considered the responsibility of State and local governments. Increasingly, however, as the 1985 Commission on Excellence in Education indicated, education must be viewed as a national responsibility, like defense, critical to our very survival.

Historians are fond of reminding us that if we do not learn from the past we may be forced to repeat it. I want to suggest today, however, that there is a part of our past that we would do well to repeat.

The decade following World War II saw a commitment by the Federal Government to education at all levels that transformed our society. The passage of the GI bill opened the doors of higher education to groups previously closed out. The creation of the National Science Foundation recognized university research as a national resource. The National Defense Education Act spurred improvements in the instruction of math, science, and foreign languages at both secondary and elementary schools, colleges, and universities. The Federal Government has served repeatedly as a catalyst for the educational innovation needed to allow the Nation to face impending challenges.

This hearing is a part of this ofttimes forgotten tradition of Federal involvement in higher education. The Higher Education Act, which you will reauthorize this year, contains the descendants of many of these early programs. One program, however, does not survive and its rehabilitation is critical to higher education in this country.

Title VII of the Higher Education Act authorizes funds for the construction and renovation of facilities for instruction. It is a vestige of a commitment to university infrastructure that died in the early 1970's. Teaching and research, like transportation and communication, are enterprises that requires tremendous investment in infrastructure. If this infrastructure is not maintained, the "bridge" eventually collapses and must be rebuilt at tremendous cost. We are now at the time when the "bridges" of higher education are beginning to crumble and the national repair bill is estimated to range from $12 to $50 billion. If we do not invest in facilities today, we will not be able to deliver our services tomorrow. The Federal Government can and must renew its commitment to university research and instructional facilities or new visions like the one I have described will not be possible.

THE ARTS AND SCIENCES CENTER FOR EXCELLENCE IN EDUCATION

I have been alluding a great deal to a vision of a new generation of land grant universities and the need for a renewed partnership with the State and Federal Governments. I would like to illustrate this vision in concrete terms.

The University of Vermont, drawing upon the leadership of its nationally known College of Arts and Sciences and its College of Education and Social Services, plans to link with local school systems and serve as a model for national education reform. UVM's close relationships with the teachers and administrators of the local school districts will enable far-reaching effects on the quality of instruction provided to the students of Vermont. In an effort to increase the cooperation between the university, State, Federal Government, and the local school districts and teachers, the university will transfer the existing wealth of knowledge of its historically strong arts and sciences and education programs to students and teachers throughout the entire Vermont community. An Arts and Sciences Center for Excellence in Education will make it possible for the university to reach many parts of the State through the new technology. It will enable the university to move from a piecemeal approach to a holistic structure.

Our goal is simple. In a partnership with the government, the center will seek to improve the performerance of students in mathematics, science, literature and foreign languages, and will expand the instructional skills of its State's elementary and secondary school teachers and administrators. The Arts and Sciences Center for Excellence in Education will also serve as a laboratory for university faculty to study and improve their own teaching.

The Arts and Science Center for Excellence in Education will enhance educational excellence through the development of new and innovative programs for student learning in the arts and sciences. We will train and retrain our teachers and create an educational community in Vermont which will serve as a demonstration for the entire Nation and will help allow the Nation to exceed current global standards for quality in education.

I would like to make one final comment before I close. Our center, and the model of State, private, and Federal partnership that undergirds it, will be fully consistent with Senator Jeffords' initiative in early intervention. We believe that our efforts to

improve the quality of education in Vermont, combined with Senator Jeffords' efforts to keep disadvantaged youth in the classroom, offer the greatest opportunity for our children. It is initiatives like these, bridging the relationship between secondary and higher education, that hold the key to our Nation's future.

Thank you for the opportunity to testify. I look forward to working closely with the subcommittee to secure the Federal support needed to bring this vision to fruition.

Senator JEFFORDS. Thank you very much.

Paul.

Mr. REISS. Thank you Senator Jeffords for holding this hearing. I'd like to thank you on behalf of the Vermont Higher Education Council which is extremely interested in the reauthorization. I'm going to address myself to title VII, of course, and to note that title VII focuses on a critical need which if not addressed will in time render the implementation of all of the other titles meaningless.

The buildings and facilities of higher education are deteriorating. Much of the infrastructure is not being maintained as George indicated. A recent publication, and I'm sure you're aware of the Decaying American Campus, subtitled the Ticking Time Bomb, accurately describes the situation: The situation where in the United States in the golden age right after the World War, the GI Bill, and the expansion of the higher education facilities were expanded. In fact, between 1955 and 1975 physical space on college campuses tripled.

But now the present needs for new renewal and remaintenance of those facilities is staggering. An estimate of $60 to $70 billion of need has been made and documented and about $20 billion of that is of very urgent cases. As a result, only perhaps one out of every four dollars that are needed is actually allocated on an annual basis to maintain those facilities.

As a result, we're spending down the capital of higher education. It's like bridges—we have a good understanding of what that means here in Vermont because it's analogous to the problem of bridges. We're not meeting the current needs, and we're not meeting the needs of education itself as a result of that. It's not just pretty buildings; it's they're a consequence for the quality of the education which would be conducted within them.

Whose responsibility is it? Well, clearly it's the responsibility of the institutions themselves which must recognize the needs, must develop careful plans and priorities in meeting those needs, must allocate to the extent possible annual funds for the maintenance of facilities. Institutions must also seek appropriations, and certainly private contributions to meet those capital requirements, and also must obviously enter the market in borrowing funds, recognizing of course that its future operating revenue is going to have to pay for the debt service on those borrowed funds.

There's a problem with some institutions in that regard, and I'd like to simply quote quickly a comment from a study that was done very recently by the Vermont Higher Education and Health Facilities Building Agency. And I quote: In recent years, the financial environment for institutions of private higher education has become more uncertain. In the face of tax reform mounting, budget constraints, and a demographic decline in the traditional college age population, many institutions have to find new and inexpen-

sive funding. Nowhere is this more evident where the facilities have a majority of not-for-profit purposes.

The major findings of the study was that the problem and challenges faced by Vermont private colleges and universities are faced by similar institutions throughout the country since the Tax Reform Act of 1986 which discouraged banks and other financial institutions from the purchasing of the tax debt. And though Vermont is not alone in this predicament, the credit analysis of Vermont's seventeen independent colleges found that many of the schools are very specialized, serving a particular niche in the market. As a result, it's not always able to form the criteria used for larger and more conventional colleges in other parts of the country.

The conclusion that I think we have to draw is that while institutions have a very important responsibility here, that there is indeed a Federal Government responsibility as well. It's a national problem.

I'd like to dramatize the problem if I might by talking about one specific facility, one specific building. I refer to Cheray Science Hall at Saint Michael's College. It was first constructed after World War II in 1949 when there was an influx of veterans into Saint Mike's College. The GI Bill brought many of those along and an influx of students into the sciences, a 30,000 square-foot concrete building, steel frame, brick, providing classrooms, laboratories, and faculty offices in biology, chemistry, and in physics, in some inter-disciplinary fields. The building has been very important, an important role in the education of those who are contributing to the science effort.

As a result of a close working relationship of faculty with students at Saint Michael's, 60 percent of the science majors go on to graduate studies in the sciences going to Johns Hopkins, Chicago, Cornell, Ohio State, major institutions. Saint Michael's science programs are part of that critical group of people going into the sciences. 79 percent of college graduates from science programs in the last 25 years are currently working in science-related fields so this is important.

But what's happening now? At the present time, we have a 43-year-old building. In 1949, it was a modern science building at those times for teaching science. Today it needs extensive repairs, renovations, modernization, new things have come along in those 42 years in computerization. Certainly, some things have been done, but there's a major job that now needs to be done. Science has changed. The space requirements are just far beyond what the building can take care of.

As one example, a recent research project in photo-chemistry had to be conducted by taking over the men's room and putting up plywood across the windows in order to be able to darken the room for the project. That's the kind of adaptation that goes on.

The storage of toxic chemicals, the electrical system as a result of that experiment that should be carried out in close proximity to each other have to be done in separate rooms because the power supply is not enough. And the climate control cannot be maintained in the building. Ventilation problems make it very, very difficult. One of the reasons the ventilation problem is particularly

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very severe is because several years ago the college did the right thing at that time, conducted a program to weatherize the building and to cut down the infiltration of outside air. Well, unfortunately, then the ventilation does not work in terms of getting rid of toxic fumes and, of course, the problem with asbestos in the building.

Well, we have a plan to take care of Cheray Hall. The college has been putting about 5 percent of its annual operating budget into maintenance. It has been conducting fund-raising programs, has raised the funds for a new academic building which is now in existence, and is in the process of raising funds for a new library for which we will have ground breaking within a year, will have it completed within a year.

But how did we get the funds for the science building?

Well, let me say that first of all, work with the architect to take care of all of the requirements looking into the future, requirements for $4.5 billion to fully modernize and properly equip this science building.

We saw an NSF plant which program was in existence by reason of the very efforts that you just referred to for which we're very thankful. But that total program is a $20 billion appropriation as you pointed out. For that program 425 applications were submitted around the country for science research facility grants. By utilizing 2 years of appropriations, 70 grants could be awarded out of 425 applications. We were fortunate at Saint Michael's to receive one of those. But it was the only one in Vermont. It was of very few in New England, others being received—I think there was six all together: MIT, Brown, Yale, the Marine Biology Institute, Worcester Polytec.

But it just illustrates the problem even more. It says that in a need such as this in a high degree area such as science, the best we can do in terms of assisting an institution is to allow them to participate in a competitive process and those with the highest priority win as we did in this case. We will get a grant of $375,000 against the $4.5 billion deal. That I think dramatizes in a sense, we're throwing some pennies after billion dollar needs.

And so I use this as an example to point out how important it is to reauthorize title VII to give some to provide for some grants in areas of highest priorities.

Probably it would be well not to try to base these on the elaborate State plan requirements that are in the part A of that. The part B with peer review would appear to be a more appropriate approach given the level of funding that's even remotely possible. I would suggest, however, that attention really needs to be placed on loans because it's only in this way that the Federal dollar can be spread in a way that anywhere near comes to meet the kind of profound national need there is in this area which is very, very critical.

And, there again, I think some of the provisions, some of those distinctions between that were carried over from previous bills between the residence facilities, housing on one hand and academic on the other hand; graduates on one hand and undergraduates on the other. It may well be the kind of dollars—those separate provisions may not be appropriate this time again.

And so, again, thank you very much for your attention to title VII. I think it's extremely important for us.

Let me just take 1 minute to mention something on another subject—the Early Intervention bill, I want to thank you very much for your introduction of that effort. I have had some experience in that area which tells me that it is extremely important. I have for the last 30 years every summer conducted a program where at-risk programs for the lower East Side of New York, namely Black and Hispanic junior high level, where we have intervened into situations through a summer program and follow-up during the year. And I can tell you that the results are not, of course, 100 percent success, but the individual—I can attest to the individual student whose life and whose contributions to this society have been greatly changed as a result of a program like that. So I applaud very much that effort and I hope you will forgive me for introducing another subject.

Senator JEFFORDS. That's quite all right.

[The letter from Dr. Reiss follows:]

LETTER FROM DR. REISS, PRESIDENT, SAINT MICHAEL'S COLLEGE

SAINT MICHAEL'S COLLEGE
Colchester, VT, April 4, 1991

The Hon. JAMES M. JEFFORDS
U.S. Senate, Washington, DC

DEAR JIM: I appreciated very much the opportunity to testify on March 26 at the hearing you conducted on the Reauthorization of the Higher Education Act. At this time I would like to offer a brief extension to my testimony on title VII which authorizes grants and loans for the construction or reconstruction of academic facilities.

In my testimony I described as an example of a national problem, the condition of Cheray Science Hall at Saint Michael's College. The building was constructed in 1949 and now requires extensive renovation in order to meet the needs of science education in the decades ahead. It should be emphasized, however, that the deficiencies in the building are negatively impacting the capacity of the facility to support science education and research as called for by the demands for the contemporary world. The mode of science education today has changed as we have recognized the importance of involving undergraduate students at earlier points in independent and group research projects. This requires, of course, facilities adequate to such an approach along with the required modern scientific equipment. When education has to be compromised and research projects modified not by reason of educational or research objectives but by reason of the inadequacies of the facility, we are negatively impacting the future of our Nation in profound ways.

It should also be emphasized that this type of negative impact on the quality of education is found not only in science education and not only at Saint Michael's College. Even worse situations are being experienced at colleges and universities throughout the State and Nation.

Given the massive size of the problem of the deterioration of the infrastructure of academic-related facilities, we must provide access to low-cost capital through a broad-based Federal program.

Small, highly competitive grand programs are better than nothing, but they constitute tokenism. Since Federal funding in the current budget deficit environment is not likely to be available for an adequate grant program, I would strongly urge that priority be given to a broad-based loan program that will provide colleges and universities with access to low-cost capital needed to reconstruct facilities. This is especially important for independent colleges and universities which do not have access to capital through State capital financing available to public institutions. The Federal dollars will encourage institutions to address these problems as a high priority.

Again let me thank you, Senator, for your support of higher education and for the opportunity to provide some thoughts on this important matter.

DR. PAUL J. REISS,
President

Senator JEFFORDS. Mr. Riden.

Mr. RIDEN. I appreciate the opportunity very much to be here and to give you a physical plant view of the problem that we have been facing.

First, there have been ruptured pipelines, roofs, and then attempting to try to find the funds to make those repairs. I'm also going to direct some statements specifically to demographic students which suggest that through 1994, at least, the available pool of 18- to 22-year-olds will continue to shrink nationally and in Vermont as well. This situation is very alarming to small private institutions like Trinity College where 71 percent of our total budget is based on tuition and fees. Faced with declining enrollment for the next few years, in all likelihood we'll be forced to begin to defer, to put off necessary building, maintenance, and repairs which then starts a downward spiral. It creates the potential where deferred maintenance leads to greater difficulty in attracting students to our campus because of the appearance of our buildings and grounds.

A recent study that was funded by the Carnagie Institute found that the single most criteria that a student looks at when they're making a selection of a college is the overall appearance of the buildings and grounds. It's not the faculty, it's not the sports team. It's the appearance of the buildings and grounds.

Given the declining enrollments and increasing maintenance, the goal of achieving that end, an inviting, attractive campus, is going to be even more increasingly difficult to maintain. Without the continued support of the Federal Government through such programs as the Academic Facilities Loans program, this goal may become impossible for smaller institutions.

While Federal loan programs are beneficial, I'd like to address a few comments about the Academic Facilities Loan program, particularly the selection criteria that must be met to receive a loan through this program.

First, the Secretary of Education assesses the age of the building to be renovated with the higher priority going to older buildings. This criteria ignores the fact that a huge building boom took place at educational institutions at the end of World War II. What has happened is that many of the buildings that were put up in the 1940's, 1950's, and even the 1970's would only have a life span of 20 years. They simply were not as good as the buildings put up in the 1920's and 1930's. Many of these buildings ignored handicapped accessibility. Many of these buildings are still loaded with asbestos and other problems that are not going to go away.

Second, the Secretary considers the extent to which the facilities in question have gone without a major renovation; i.e., what is the extent of a building's deferred maintenance. It's difficult to understand how this is evaluated since in the application the only information on this topic is the last year a building was renovated and the number of years since that renovation. No room is put on this for lack of funding. And in my opinion, judging a building's need based on simply the last date of renovation is too simplistic an approach.

Third, the Secretary assesses the assignable square feet per student of the institution with the higher scores going to institutions

with the smallest amount of square feet per student. In times of declining enrollment, this criteria discriminates against smaller institutions suffering from shrinking enrollment, for as enrollments decrease the amount of space per student will increase making the success of our loan application less likely.

And fourth, the Secretary also takes enrollment into account with the higher rankings going to schools with the largest increase in enrollment. This criteria would seem to support the adage that the rich get richer. Smaller institutions that don't have reputations to attract students based on their list of guest lecturers or number of retired luminaries on their faculty or location in the sun belt can expect declining enrollment over the next few years, and that smaller institutions without national reputations will remain so.

The poorer will remain poor.

At a recent physical plant administration that for the 31 institutions of higher education with a total of approximately $2.3-billion gross square feet, the total is running between $40 and $60 billion. To quote Harvey Kaiser, the Director of Physical Plant at Syracuse University, the issue of regulations and tax program support must now be of paramount concern to policy makers involved in higher education.

Senator Jeffords, given that I have the opportunity this morning, I'd like to thank you for your support of the Academic Research Facilities Modernization Act. I spoke recently with David Baim of the National Association of Colleges and Universities, and David has informed me of your support of the program as both crucial and greatly appreciated. When I spoke with David, I asked him if he had any message to deliver concerning this morning's topic. He did ask me to deliver one thought: In title VII include authorization of outright grants in aid to institutions. Unfortunately, this portion of the title, as I understand it, has not been funded since 1986.

The request that I have to relay this morning is to please support the funding of the program for at least $50 million and to consider changing the portion of title VII to requiring participating States to submit individual State formulas. It's also believed that even at $50 million it is too small to be regulated in that fashion and a more simple formula could and should be included.

That concludes my remarks, and I thank you again for allowing me to be here this morning. It certainly is a nice change from my normal tasks—climbing up on roofs, etc.

Senator JEFFORDS. I thank you, too. The area I want to comment on is to see if we can make it a usable program. We have a huge national need. I'm not going to ask too many specific questions at this time. I do need your help in deciding whether we need matching grants or loans and whatever else to try and pull money in to start things going. Should we look at the business community to try and assist or whoever else we can with the limited Federal dollars we have right now granted? They are very limited right now. The additional need is necessary and I hope with your help we can redesign title VII to get it to be working other than just getting huge amounts of money appropriated to it.

Maybe you can comment on this. What do we need to do to get you back in a position where you can attract or be able to repay

loans in a better fashion than you can right now? All you mentioned, Paul, is the availability because of changes in taxes. What would be the most helpful thing, do you think?

Mr. REISS. Well, there are a couple of things. One is the different status that one is referred to as private tax exempt funding as in the tax bill. At this point, as you may know, Senator Moynihan's attempting to have that problem corrected. That would be helpful. If anything can be done to encourage through the Tax Act banks to be able to take on tax exempt debt which the Tax Act of 1986 simply took them out of the business. They had no reason to be in that business at all. That, of course, made it even more difficult certainly for independent colleges to have access to tax exempt capital. So those are a few of the things that can be done on the Federal level.

There is another agenda, I think, that's important for things that could be done on the State level as well. The different States have dealt with this problem in different ways, some more effective than others. That's another area, another agenda that needs to be followed as well.

Mr. DAVIS. The attractiveness of institutional indebtedness, of course, ebbs and flows with respect to the financial environment in the Nation, and the Board of Trustees will either tighten up or loosen up with respect to the overall perception of the financial environment which the institution is operating. Thus the physical situation as we're operating in colleges and universities around the country right now, I think that makes it more difficult for institutions, their board, to be perhaps as aggressive as they might be in other times in taking on indebtedness in capital projects.

I'm sure if we look around nationally, I'm sure we could see that in terms of the number of projects. I think that's a factor that certainly must influence our thinking. The concept of matching programs, I think, is extremely attractive. The concept of bringing together moneys from development efforts as well as State commitments and Federal commitments as well as the business sector not only allows limited moneys to go further, but also at each step of the match there becomes an endorsement for the fundamental project that would be supported by the moneys that come together.

So there is a set of secondary checks and balances in an environment of limited resources. Projects have been identified as really of extreme priority and, thus, those contributions to the project feel a reaffirmation of investing in something that's lost.

Mr. RIDEN. Perhaps a couple of quick comments. We talked about the possibility of involving the business community. I think when times are good, that's a very good idea and it's more possible that that's going to happen. In times of recession, it's unlikely that it's going to happen in involving the business community too.

The last time, we had the smallest endowment of our size college in America. We're trying to turn that around. It's a very laborious project. It's a very difficult thing to establish, a sufficient endowment. I've already made some specific recommendations on some of the changes I'd like to see on the Facilities Loan Program and their selection criteria, so I probably won't have that much to add on that topic.

Senator JEFFORDS. Thank you very much. And your best specific instances are very good to demonstrate the problems that you're faced with and the needs.

Just one question: Changes in our technology, you alluded to some of them requiring changes, but have they dramatically or significantly increased the need for space, or is it a huge problem being able to keep up with the size of your facility?

Mr. REISS. Certainly, technology has changed and made new requirements, but there are some important educational changes which are making very, very important requirements that are new. And that has to do, for example, with the manner in which science may be most effectively taught on the college level. There has been a major change taking place within higher education focusing on the need to have students involved as early as possible in independent research and in participating with faculty in research projects. The notion that you can teach science most effectively by having large lecture halls with students and having just benches of students following out a particular experiment in a large instructional laboratory, there's been a major change in that.

And I think the evidence is fairly clear that in terms of educating students well and also in terms of motivating them to pursue scientific careers, there's a better way. But that better way requires certain kinds of facilities and certain kinds of organization of science buildings which generally we don't have. And I think that is probably putting as much of a demand on space as the equipment itself.

Senator JEFFORDS. I appreciate that information very much. It's very helpful to me. I thank you all again for your very excellent testimony.

Senator JEFFORDS. We will proceed with the next testimony. Our next panel is Britta Anderson, director of Federal Affairs, Vermont Student Assistance Corporation; David Myette, from Champlain College; and Bruce Foust, from the Chittenden Bank.

Britta, why don't you proceed.

STATEMENTS OF BRITTA ANDERSON, DIRECTOR OF FEDERAL AFFAIRS, VERMONT STUDENT ASSISTANCE CORPORATION; DAVID MYETTE, CHAMPLAIN COLLEGE; AND BRUCE FOUST, CHITTENDEN BANK

Ms. ANDERSON. Senator Jeffords, I'm Britta Anderson, director of Federal Affairs at the Vermont Student Assistance Corporation. I'm extremely pleased to have the opportunity to appear before you today to discuss the concept of direct institutional lending which is currently being considered by the Department of Education as well as other individuals and entities.

First, I'd like to emphasize that it's only possible to address the issue as a concept. As far as we know, no specific proposal has made its way to Congress and, subsequently, our discussion of the issue here today suffers the constraints of lack of detailed information.

Novel as the proposal may seem, this is by no means the first time that there has been a call for a complete overhaul of the Student Loan Program. In fact, as I'm sure you will recall, similar pro-

posals for a National Student Loan Bank have occurred sporadically since the late 1960's. The question is: Why do these proposals surface?

At least part of the answer lies in the fact that whenever the loan program goes through troubled times, the political response is, to paraphrase *Alice in Wonderland*, "Off with its head!"

Such a response is understandable. After all, the major issue for Congress is that the student get the loan funds they are entitled to in an expeditious manner at the least cost to the Federal Government and that those students subsequently repay their loans after they're finished with their education.

However, during the past few years, a number of events have forced Congress to focus on the administrative and eligibility areas of the program. And it's clear that many members have concerns about the overall integrity of the current system and are looking to make substantial changes in the program; thus the call for reform.

Before going on to some of the issues concerning the direct institutional lending concept, I'd like to discuss the status quo of the current system so that the discussion of a potential future program will be framed in light of the realities of the current structure.

First, the program as it stands today delivers what Congress intended it to deliver. Over four million borrowers received loans amounting to over $12 million in Fiscal 1989. Capital was provided through the private sector and secondary markets. Overall, this Federal/State/private partnership concept works not only to provide dollars to students in an efficient manner; it also works to provide checks and balances to insure that weak links are mended and the program functions at the highest possible level of integrity.

The number of participants in the program also means that there is a certain amount of competition which, if kept at reasonable levels, will ultimately help students by providing better and timely services. As a former loan recipient, I can vouch that the delivery system as it stands today is better than it was 15 or 20 years ago.

On the downside, the growth of the program in the 1980's through the expansion of certain sectors, i.e., the proprietary sector, increased eligibility for SLS loans, coupled—and this is important—with the targeting of the program to lower-income students as a result of the 1986 amendments, have led to tremendous increase in the amounts of defaults. This is a problem which is slowly being conquered, but which has left a bitter taste in Congress' mouth.

Consequently, the program costs a substantial amount to operate. The budget reforms as well as the current level of default costs and subsidies have led Congress to question whether or not they're getting sufficient value for their money. Suffice it to say, that putting over $12 billion in loans on the books every year will, by definition, lead to costs over the life of the loans. Congress will, in the final analysis, have to make the tough choice as to whether the program costs are worth the program benefits.

Finally, while limited competition in public programs may be positive, what took place during the 1980's in terms of the quest for growth and volume by certain entities almost certainly was a factor in the demise of HEAF and other organizations. Greed is not

good in a publicly-funded program. However, Congress still has not found a way to legislatively balance limited competition and overzealous marketing of the program.

These, then, are the major pros and cons of the current system as I see them.

Now to the new concept. What will it offer that's not currently available? How might it improve on what currently is?

First, the new program would, at least as far as we know, eliminate the current partnership structure among lenders, institutions, guarantors, and the Federal Government. After the problems of the past few years, such elimination of a partnership may be construed as positive even though Congress may not yet have a very good notion of who under the new structure would perform the extensive support function currently performed by these groups.

Furthermore, the new concept is promoted as being less costly than the current system. If true, that would be a definite plus for any new proposal, particularly at a time where the Federal budget is in severe difficulties. However, budget reform has produced an entirely new method of counting cost indebted programs, and it will be important to ascertain the real program expenditures for comparison purposes.

And finally, the concept changes the focus of control. It's not completely clear from where to where, but it appears that either the Department of Education, institutions or some other entity yet to be defined, will replace the current Federal/State/private partnership. Such a change again may be construed as positive if there is a discontent about the current program.

On the downside, it should be mentioned that no matter what kind of new proposal is carried forward, the fact remains that there are over $50 million currently on the books in outstanding loans that need to be serviced during the next 20 to 30 years. These are obligations that need to be factored into a debate of a real cost of changes regardless of how the Budget Reform Act would count the cost of any new efforts.

Also, it's not clear that any real cost savings will ensue from a new program. Someone has to manage these huge loan portfolios, and, if lenders and guarantors are not involved, someone else will need to provide this service. At this point, it's uncertain whether the costs that will occur as a result of a new—entirely new structure of servicing loans and providing other support function will be any less than the costs that we're currently carrying.

Finally, and this is the most important point, we know that students are getting their loan dollars today. Will they be equally well-served under a new direct lending program?

Since congress almost certainly will be engaging in a debate over the restructuring of students loans, we would like to propose that the debate be expanded and take maybe a somewhat different direction. If accountability and cost are major issues in the current loan program, why not expand on the Federal/State partnership concepts and enhance the role of the State in managing the program? This would require providing public oversight of the Student Loan Program in States where such oversight currently does not exist. Such a change could be accomplished in a number of ways, from greater responsibilities, being given to State guaranty agen-

cies to raising capital for student loans via State secondary markets. Such a change may be more cost effective than the proposed concept because it could be built into the current infrastructure of the program.

As Congress moves forward with reauthorization, we'll be seeing definitive proposals for loan program changes. We very much look forward to examining those proposals and ask you, Senator Jeffords, at all times to bear in mind the real cost of changes, importantly, in terms of dollars and even more importantly in terms of how well students are served.

I'm very grateful for the opportunity to comment on this issue and I'll be happy to answer any questions you may have.

Senator JEFFORDS. Thank you, Britta.

Dave.

Mr. MYETTE. My name is David Myette, and I am the director of financial aid at Champlain College. Also the president of the Vermont Association of Student Financial Aid Administrators.

I would like to take this opportunity to thank you for inviting me to speak to you today, and to particularly express VASFAA's appreciation for your continued support of the Federal financial aid programs which are so necessary for our students to obtain their goal of a higher education.

I will attempt this afternoon to comment on the administration's proposal to have higher education institutions—not banks—offer student loans directly to students. Given the limited information available on this proposal to date, it is difficult to comment on the plan; however, I do have some concerns that I would like to make you aware of.

Although the idea of saving over a billion dollars by eliminating the need to pay a special allowance to banks and transferring those savings to the Pell grant program is a proposal that would make anyone sit up and take notice, I would ask that you pay close attention to the reliability of those projected savings.

The Federal Government is going to have to generate over $12 billion in loan capital annually that the banks presently provide. Whether this capital is generated through tax-exempt revenue bonds or the sale of Treasury bills, this is going to result in a significant expense for the government. In addition, continued subsidies to lenders will have to be incurred by the Federal Government for as long as the next 15 years. For students borrowing for the first time this year as freshman, in-school interest subsidies will have to be made for the 4 to 5 years of the students undergraduate studies as well as special allowance payments to banks during the 10 years of repayment.

Although it is not yet clear as to what role the Federal Government and the colleges will play in this proposal, the fact remains that someone will have to assume the work at a significant expense, presently done by over 13,000 lenders and over 50 guaranty agencies participating in the programs. My fear is that financial aid offices, which are already overworked and over-regulated, will be required to take on a significant role at a significant expense, an expense to be assumed by the institution.

I am particularly concerned about the impact that this will have on the default problem. Presently, Vermont has one of the lowest

student loan default rates in the country. One of the major reasons for this is the expertise that the Vermont Student Assistance Corporation has developed in working with students to resolve their loan payment difficulties prior to the students going into default. VSAC has the flexibility to work with these students on an individual basis. Will the Federal Government also be able to exercise that flexibility? Although the Federally Insured Student Loan Program of the 1960's and 1970's was before my time as a financial aid administrator, my understanding is the Federal Government's experience in administering this program was not overly successful, particularly in the collection of defaulted loans.

I'm also concerned about the claim by the advocates of this new proposal that it will decrease the complexity for students. I think the new system will increase the complexity for Vermont students.

In cooperation with VSAC, we presently have a system called "single delivery" which is used by many Vermont institutions, both public and independent. This system has completely eliminated the need for a student to fill out a separate loan application, thus allowing the student to apply for State and Federal aid through the completion of only one financial aid application.

This "single delivery" system has lessened the application processing and loan disbursement times and, even more important to aid administrators, significantly reduced the administrative burden of that program. I, therefore, fail to understand how the administration's proposal is going to lessen the complexity and the confusion on the part of the students.

It is not my intention to paint a picture of total doom and gloom. I applaud Congress and the administration's willingness to seriously consider new and innovative programs and approaches in an effort to redistribute the present loan/grant imbalance. I only suggest that the proposal of any new approach seriously look at the ramifications any change would have on all concerned—Federal Government, institutions, and most importantly, students.

As a footnote which is not a part of my written testimony, President Bush's Budget Director, Richard Dolman, in testifying recently before the Senate Budget Committee came out in opposition to the proposal and I quote, "There's no evidence, none, that the Federal Government can administer that kind of enormous program more efficiently and effectively than the current intermediaries."

So as you can see, even the President's own administration has problems with the feasibility of the proposal. Thank you.

Senator JEFFORDS. I take it you're not in favor?

Mr. MYETTE. I'd like to have a billion dollars in the Pell program, but not in this way.

Senator JEFFORDS. Bruce, I think we got you right on schedule.

Mr. FOUST. Senator Jeffords, my name is Bruce Foust. I'm a vice president and regional manager of the Chittenden Bank. I'm also a member of the Vermont Bankers Association's Government Relations Committee, and testifying today on behalf of the VBA. I am pleased to have this opportunity to discuss a possible major restructuring of the system to make guaranteed student loans available to Vermont students.

It is difficult to react to a plan which has not yet been proposed. In any event, as I understand the current thinking, lenders and

State guarantee agencies would no longer be a part of the student loan program, but that some mechanism would be developed for student applicants to deal directly with institutions and the U.S. Department of Education. As I understand, the primary motivation is a desire and belief that the Federal Government might save more than a billion dollars a year from such a restructuring.

Frankly, I believe in Vermont we have had and continue to have an efficient and cost-effective delivery system which works. It works by serving the needs of eligible student applicants and their families, and it works when viewed from the guarantor's perspective as Vermont's net default rate this past year was 3.9 percent. We believe the current system structure functions properly.

While there may well be areas of eligibility and other what I would call software policy issues which may warrant review, the delivery system for the product, if you will, the hardware functions well, at least in Vermont.

Even without a specific proposal to react to, there are still questions which can be fairly asked and would need answering. Who would bear the cost of originating, servicing, and collecting these loans—the Department of Education, or the schools? Will they reinvent the proverbial wheel, or will they contract with other vendors to provide these services? And why would this be more "efficient" than the current system? How will school eligibility be determined? Would loan capital be subject to the annual appropriation process and thus subject to budgetary constraints?

Currently, those eligible receive loans. Will loan availability be limited by eligibility standards, or will it be rationed by the Federal appropriations process? Will the quality of service and borrower access diminish? Are the purported savings long-term real dollars, or are they a product of a different accounting standard?

We have a current system which delivers the product in an efficient manner as the delivery system itself. And if it is deemed appropriate to change the system, what about the billions of dollars of book loans which must be currently serviced, paid-off and followed up on for decades to come? Are we to have one system for existing loans and another system for the new loans?

I urge our policymakers to be sure that purported savings are real, that babies are not thrown out with the bath water, and, finally, the young student customers and your young constituents are properly served.

Thank you for the opportunity for offering this testimony. As actual proposals are set forth, the VBA would be happy to respond with its views.

Senator JEFFORDS. Thank you, Bruce, for your testimony. I have some questions.

First, did you study the budget? What the ramifications are on the student loans? Can you give me a little insight? I learned last week on dairy that it was not very good news, and I thought you could enlighten me from your own perspective of studying it.

Ms. ANDERSON. Let me put it this way, Senator, if I fully understood the new budget process, I would not be sitting here today. I think those who do understand it and can articulate that understanding and impact on policy probably are wearing Guchi shoes in the halls of Congress right now.

At this point, let me just briefly say that the way the student loans are currently being accounted for under the new budget process is a one-shot deal. In other words, instead of paying for the cost of a student loan, student aid takes out the loan today, and in the past that loan was amortized in terms of Congressional cost over the life of the loan.

Whatever it cost in a given year, that was what was put on the books. Today the entire cost of that student's loan and the anticipated lifetime of that student's loan is put on the books as a cost this year to the Federal Government. That is to bring to the attention of Congress how much it really costs to put $12.5 billion on the books so—$14 billion.

In fact, the downside of that is that we also have to carry the cost of the current programs. So every year, we will also be seeing what they call the phase-out cost of the current program. It's not the exact term for that, but close enough. So all of a sudden the cost of the loan program looms very large.

Now the reason that the budget reform might make a new program look attractive, as far as I'm able to ascertain, is that borrowing by the Federal Government is below the line cost, so that whatever the cost of subsidies and moneys that are spent out by the Federal Government to issue our Treasury bills or bonds would not show up as a direct cost to be shown as a part of the deficit. It would be off budget; whereas everything that's going into the current system is above the line. And there are people in CBO who are desperately trying to figure out under a new program scenario what would be above the line and below the line.

The other wrinkle that he alluded to a little bit is that credit programs are treated different than discretionary. How many people thought they could take those subsidies away. It does not work that way because budgets are automatically transferred over to discretionary programs. So one of those big reasons for actually restructuring a program certainly has evaporated because Congress boxed itself in, in terms of the demarcation line, in terms of discretionary spending and credit spending.

Unless you have further questions, this is an hour-long discussion, and it's a very fascinating thing, and I urge Congress to take a very close look at what they did to themselves because I think it might warrant at least some amendments to that legislation.

Senator JEFFORDS. We did a number on ourselves. We didn't know what we did, at the time at OMB, but that's not the first time. Now, I'm trying to think what I was going to say.

But, anyway, what would happen under this proposal with loan consolidation? For instance, do you have any idea, if the Federal Government would be doing it? Would the institutions be doing it? Anybody have any idea what would happen?

Ms. ANDERSON. The new concept as I understand it—and I don't want to hog the microphone here—would be a total separate program. It would have no tie-ins in the current structure. In fact, and I didn't use that word in my testimony because it's kind of strong, but Congress can in effect not renege on the current program, or the current program expenditures, or the current program parameters in the sense that those are made under contract with either a student, a guarantee agency, etc. The current program would have

to carry forward because of the promissory notes that have been signed and so forth and so on until the very last loan has been repaid.

So to create an entirely new structure, it's anybody's guess what they would do with any of the concepts with any of the borrowing limits. Nobody has said anything other than let's take the program away from the current infrastructure and put it someplace else.

Senator JEFFORDS. I'll let you relax for a minute. The program would seem to indicate either that the institutions would be willing to accept the additional cost or there are unreasonable profits that are being assumed by the banks now that we would save. Would you like to give me an indication whether you have unreasonable profits in this program at this time?

Mr. FOUST. I dare say that that is not the case. We service and incur sizeable administrative costs in providing those loans and servicing them. And the interest rate, special allowance, if you will, I believe is running three to three-quarters percent above the 90-day Treasury bill, and I believe the 90-day Treasury bill is 9.7 percent so that brings us up to 10.5 percent, so I dare say that's a reasonable rate.

Senator JEFFORDS. Dave, would you like to say as to whether or not you would be able to take this over without any significant additional cost?

Mr. MYETTE. There wouldn't be any way for an institution particularly my size with a population of approximately 1,300 full-time students. I process over $2.5 million a year in separate loans. We would have to significantly increase our administrative staff in order to administer such a program. I wouldn't anticipate significant, if any, grants from the government to that. The only option to generate the revenue to administrate that program would be to increase tuition.

Senator JEFFORDS. Thank you. What would happen to Sally Mae?

Mr. MYETTE. Unless they're part of it, they would die.

Senator JEFFORDS. How would they become a part of it?

Mr. MYETTE. They could become a servicer, but their entire structure is based on raising capital. The big debate, Senator, is currently occurring: Where will the capital come from, and at what cost, to whom. And Sally May the primary provider of capital in the current program would undoubtedly not be able to function under a new structure as we see it.

Ms. ANDERSON. I really do not know what kind of role there is envisioned for a number of the current places in the program. It is assured, it is a certain outcome that not only might Sally Mae fail, but it is certain that instead of bailing out one guaranty agency that Congress would have to do a bail-out of every 50 guaranty agencies, because as we've got no new volume on the books we would have no new income with which to service the loans over the life of the loan.

Again, I don't think that's real—it's an important component. It's not the most crucial part of the debates. If there is a better way, a much better way to produce the intended results which is loans for students, Congress certainly has their duty to examine those ways. And I don't think we should be self-serving and say we should never fail, but I do think that Congress should look at the

cost of the termination of the current structure just as any good company would look at the overall cost, not just in terms of what would be a short-term savings.

Senator JEFFORDS. I'd like to turn to the PLUS loans and SLS loans, i.e., if we reauthorize those and change them substantially as in the last reauthorization. The volume has picked up substantially in the country; is that true? I don't know, Bruce, if you are prepared to answer that question. I worked with the banks in reauthorizing with the expectation that they would expand, and I wonder if that has been your experience?

Mr. FOUST. Senator, I don't have current numbers so I really couldn't answer that.

Mr. MYETTE. I could only speak for my institution, Senator. As a result of the ever increasing family contributions, parents are having to turn to the PLUS loan more and more, so our volume has risen dramatically.

There's a need for that program for those families. In fact, the loan limits, I feel, should be expanded. As Nel testified earlier, with an average parent contribution of $7,000, where is the family going to get the additional $3,800?

I am concerned with the SLS program. I'm concerned with the ease with which students can take out significant amounts of loans, not realizing the impact that this may have on them with regard to pay back when they graduate. I would like to see some safeguards put into that program.

Senator JEFFORDS. What would you recommend?

Mr. MYETTE. Possibly credit check requirements.

Senator JEFFORDS. Britta.

Ms. ANDERSON. Well, the best thing that happened was that we, I think, instituted the variable rate back and over the protests of many, as you will recall, Senator. I think that that was in terms of the longer term fairness to parent borrowers. I think that that really has made a difference. It's now a manageable loan. It's not always the high cost loan, and it follows the changes in the interest rate environment.

In terms of the utilization of the program, both SLS and PLUS, particularly in the last year, have mushroomed. And we are again seeing that the higher parent contribution expectations are leading to steep increased borrowing in the PLUS program.

And also, of course, a major component was back in 1986, the middle class for all intents and purposes were eliminated from the Stafford Loan Program. So students are not borrowing—middle class students are not borrowing on their own behalf anymore, but the parents are borrowing on behalf of the students to the best of their ability.

I think Congress has made major strides in the SLS area in terms of putting tighter ropes around the eligibility criteria. But I do believe the major component of the elimination of the default has to do with the eligibility problems that Congress will have to face and really look at in the upcoming reauthorization.

Senator JEFFORDS. What kind of burden does credit checks put on lenders of SLS?

Mr. FOUST. We do them, Senator.

Senator JEFFORDS. You do them?

Mr. FOUST. Yes.

Senator JEFFORDS. On both SLS and PLUS loans?

Mr. FOUST. Yes, we do.

Senator JEFFORDS. I want to thank you again. I deeply appreciate it. And Britta, I will be in touch with you for help on these areas and rely on you very, very heavily to help us understand some of the things we have done to ourselves.

I'd like to say that we must continue to have a viable financial aid program for our students and presently, as you pointed out, it's still not adequate. I certainly don't know how we'll clear it this year with all the constraints we have. Certainly one thing we can look at is raising the limit on PLUS loans and SLS loans as well.

What limit would you suggest? I know it's been suggested somewhere around $7,000 or $8,000 instead of $4,000. What, would you suggest, Dave, as far as the PLUS loan?

Mr. MYETTE. I find at my institution that the average parent contributes—parent contribution from a middle-income family, a true middle-income Vermont family is about $7,000, so I think $7,000 would be it.

Senator JEFFORDS. Britta, what would your experience say.

Ms. ANDERSON. The same parent contribution if you take inflation and increased charges, I might go a bit further to a $10,000 limit as VSAC did because that would carry us through 1995.

Mr. FOUST. I defer to Britta and Dave on this.

Senator JEFFORDS. It doesn't bother the bank as much in that respect?

Mr. FOUST. Whatever the amount would be, I think the banks could accommodate that.

Senator JEFFORDS. Do you have any idea what your experience has been in the PLUS and SLS loans as far as expansion goes?

Mr. FOUST. I don't know what the expansion is, but I can go back to some prior comments and say that at least in Vermont the dollars—that in dollar volume, the defaulted loans put us very near the bottom of the ladder. We have had very good experience in Vermont and I think my data that is that we're 42 as far as dollars.

Senator JEFFORDS. There's somebody who's doing better than we are?

Ms. ANDERSON. Yes, but they restrict access.

Senator JEFFORDS. I've been very impressed and it's one of the things about being on the panel from Vermont. We have such an excellent record in all of these things that we can take the high road in many cases and say all you need to do is what we do and everything would be fine. But I also know that we don't have some of the complications that some of the urban areas have and other aspects.

But, anyway, it's been a pleasure having you here and it's been helpful testimony. And with that, I always open it up to anyone that's present that would like to testify and if you raise your hand I will hear your testimony. I want to thank you all for coming in and thank you, the reporter, for her helpful assistance. And at this point, we'll consider the hearing closed although I reserve the right to ask you for some individual written questions as time allows as reauthorization is extremely important to Vermont.

As you all know, I think Vermont has more students per capita in higher education institutions than any other State and, obviously, we have the finest education institutions in the United States, too. So it's a pleasure to be on the committee and be able to work with you all.

Thank you all very much.

I have two statements on this subject for the record and, without objection, they will be made a part of the record.

[The prepared statements of Ms. Letourneau and Mr. Voigt follows:]

Prepared Statement of Ms. Letourneau

My name is Jennifer Letourneau and I am a freshman at Trinity College of Vermont. My primary residence is in the town of Orange, VT.

College students today and students hoping to attend college are scared, very scared. They are afraid that they will graduate from college so in debt that it will take them years and years to pay off all of the loans they took out to stay in college. The average student who graduates from college with a 4-year degree will have about $10,000 to $14,000 in debt to pay off. The idea of starting out life with such a huge debt hanging over your head is very frightening.

The students who most need financial aid to attend college are those from middle-income families, such as myself. However, I am much more fortunate than most of my friends. I receive a Presidential Scholarship (merit based) from Trinity which covers the amount of money I would have to borrow to attend college. Traditionally it has been low-income students who have been catagorized as "at risk" students. "At risk" should now be expanded to include middle-income families. These families are the ones who most want to send their children to college, they want to make their children's life a little better than theirs. Parents are terrified when it comes to paying for college. How is a family supposed to find $6,000 to $8,000 (for State colleges, such as Johnson) that they did not have before? Parents are even more scared when it comes to colleges that cost over $10,000 a year. I know of parents who are not encouraging their children to go to college simply because of costs. This makes the aspiration rate for high school seniors go down, which makes the actual number of college students go down, which drives up college tuition costs. It seems to be a never-ending, vicious circle.

It has now gotten to the point that the amount of financial aid a student gets determines where he/she goes to college. During my senior year in high school countless students said they would "go to the school that gave them the most money." How much financial aid a student gets from a college should not be the determining factor in where that students goes. It should be one of many factors taken into consideration.

Because of the state of the economy today students are not getting the level of funding they should be. The Federal Government allows the Pell grant to award up to $2,900 to students who qualify. The actual money awarded to students is between $2,200 and $2,300. This is like telling a child that they can have a candy bar and then only giving them two-thirds of it. With inflation and raising tuition cost Pell should be awarding about $3,600 to students who qualify—$2,300 is a long way off from $3,600.

Not only am I concerned about college costs for me and my friends, but for my two younger brothers also. My brother Bob may decide to start college in the fall of 1994, right after I graduate in May. Bob will be able to get more aid than my youngest brother, Brian, because my parents will still be helping me pay off my loans. There is a period of at least one year between the time Bob graduates from a four-year program and Brian starts college. Brian is the youngest and he and my parents will have none of the breaks Bob did. If Bob chooses not to go to college or only a 2-year program the time span between Bob and Brian will be even greater. How will Brian and my parents be able to afford college if Brian chooses to go? By that time my parents will probably have spent a great deal of the money they set aside for college educations. Sometimes it's scary to look to the future.

I would like to take this opportunity to thank Senator Jeffords for allowing me to express my views on financial aid and higher education. These topics are of special interest to me as a future educator. I would like to think that I am teaching students to read and write so they can go on to something better than being a "whop-

per flopper" at Burger King. Although I may sound facetious, this is a very real future for students without some form of post-secondary education whether that is college or vocational school. In order for students to have a chance at success there must be an increase in financial aid.

Prepared Statement by Ms. Voigt

Mr. Chairman, good morning. My name is Francis Voigt, and I am the president of New England Culinary Institute in Montpelier, VT. On behalf of all the students and employees at our school, I want to express our appreciation for holding this hearing on the reauthorization of the Higher Education Act in Vermont. You know that our State is strongly committed to education, and we are proud of all that you and others, such as Senator Stafford, have done to create and maintain this commitment. I appreciate this opportunity to share my views with you on such an important topic.

In the 11 years that New England Culinary Institute has been in existence, the school has grown from 7 students to more than 400. They come from every State and 10 foreign countries. Many have been to college and worked in the industry before enrolling. Eighty percent receive some form of financial aid to help pay for tuition, room and board costs. To date, 100 percent of our students have found employment in the industry through our coop program. Many are distinguishing themselves through their work in leading restaurants and hotels throughout the Nation.

In order to launch the school, two families pledged all their personal assets to a local bank to secure a line of credit. In order to control the use of these assets, they formed a for-profit corporation. Prior to founding the school, they worked at a nearby college. Similar stories can be told by many others who have developed reputable trade and technical schools throughout the country. Unfortunately, the press has focused on a small number of schools that have been mismanaged. Implicit in their exposes is the assumption that the profit motive and greed corrupt these schools. Thus, the entire proprietary sector of post-secondary education should be called into question.

I think that New England Culinary Institute and many other excellent for-profit trade and technical schools provide ample evidence that the legal structure of an institution does not necessarily correlate with inferior quality of education. Furthermore, the non-profit status of an institution does not always provide assurance that those in charge will be honorable or above reproach. Recent testimony in Congress about overhead charges at Stanford University and investigations of 40 other leading universities in the country make this clear. Trade and technical schools fulfill a vital role in the post-secondary sector. They enroll some two million students and produce about one-half of the Nation's entry-level workers each year in areas ranging from culinary arts to computer programming and repair. By the year 2000, 80 percent of all jobs will require some technical education beyond high school. While community colleges, 4-year colleges and universities will play a role in providing this education, they cannot be the only answer. Today, only 1-in-5 adult Americans is a college graduate. Only half of our Nation's high school graduates will ever go on to college; only half of these students complete their college course work. And many will leave college with a degree but without the job skills they and American business need. Clearly, there is a continuing need in this country for a healthy trade and technical school sector in our post-secondary education industry.

The financial assistance programs that you in Congress will rework will have a direct impact on whether millions of young people will be able to pursue education and training beyond high school. Everyone deserves an opportunity to pursue the education they need to get ahead, including those people who are poor and disadvantaged.

The student financial assistance programs will also play a major role in determining whether we as a Nation can meet the economic challenges of the future. We continually hear these questions being asked by Congress, the business community and the media: Can America become competitive again? Or, can America remain competitive?

The answer is clear. To thrive in this tough economic climate, we need to ensure that we have an educated, skilled and productive work force. The strength of our economy depends on the performance of educated workers and the skill of these workers will determine the Nation's economic fate.

To assure that American workers get the education and training they need in the next decade, I believe the direction that we ought to move in is outlined in the legislative proposal that two national organizations, the National Association of Trade and Technical Schools and the Association of Independent Colleges and Universities,

will unveil in the next several weeks. I would like to touch on several components of the proposal at this time.

The proposal outlines a way to achieve a better balance between grants and loans to students, especially the very poorest, do not leave school with a huge debt hanging over their heads. The ratios of grants to loans has shifted dramatically in the past 15 years. In 1975, grants made up 80 percent of the total student aid package; in 1989, grants constituted only 49 percent of all student aid. It is very important for low-income students that grants again make up a higher proportion of financial aid.

How can the expansion of the grant program be paid for? The answer can be found in the loan program. Originally, this program was to provide funds to those who could not afford to pay for their education at the time of enrollment. The way the loan program currently is structured, the interest subsidy for the in-school and grace periods constitutes an implicit grant. The annual cost of these grants, the loan interest subsidy, is $2.3 billion. In other words, the government is providing significant grants through the loan program.

We recommend clarifying the purposes of grants and loans by removing the in-school and grace period interest subsidy and making the grants explicit through the Pell grant program. Through the savings created in the loan program, the Pell grants could be expanded so that the lowest income students could get larger grants and those with greater income could qualify for at least some grant money. Students receiving Stafford loans would have their interest subsidies capitalized as part of their total loan packages and begin repaying these costs when the loan balances become due after completing their studies. The interest costs during the grace period would be packaged and sold in a secondary loan market.

Another major challenge today is how to improve access in many States to loans. Many lenders today are not making loans to students who are borrowing small amounts or who are borrowing for short-time programs. We recommend a review of the interest rates for lenders of low-dollar loans and loans for programs of 2 years or less. It may be necessary to raise the interest paid from 3.25 percent above the Treasury bill rate to 3.5 percent if Congress continues to provide loans to students through the private banking system.

The recommendations presented here are among the several that are outlined in a proposal that you will receive shortly from the National Association of Trade and Technical Schools and the Association of Independent Schools and Colleges. We hope that you will seriously consider them in the coming months.

It is my sincere desire that Congress take the necessary steps to restore our trust in the integrity of Federal student aid programs. It is crucial that all players be held accountable and erect barriers to abuse. I have complete confidence in your understanding of the problems we face and your commitment to find fair, practicable solutions.

We all know that there are countless numbers of Americans who would not be where they are today if they had not received loans, grants and work-study funds provided through the Higher Education Act. We need to make sure that the door stays open for all future students who want to have the same opportunities. Our country's economic well-being depends on it.

Thank you.

Senator JEFFORDS. Thank you all very much.

The subcommittee is adjourned.

[Whereupon, at 12:15 p.m., the subcommittee was adjourned.]

REAUTHORIZATION OF THE HIGHER EDUCATION ACT

WEDNESDAY, MARCH 27, 1991

U.S. SENATE,
SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES, OF THE
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Chicago, IL.

The subcommittee met, pursuant to notice, at 9 a.m., at the Chicago Illini Union, Chicago Room A, 828 South Wolcott Avenue, Chicago, IL, Senator Paul Simon, presiding.

OPENING STATEMENT OF SENATOR SIMON

Senator SIMON. The subcommittee hearing will come to order.

We're pleased to have a hearing on what we do in this whole area of higher education. Let me just say we already have panelists set up; however, at the end, if there are others—and one person has already indicated that he would like to have just a few words—a brief statement from others will be welcomed.

We face several fundamental choices. One is: Do we just tinker with the reauthorization as we did, frankly, the last two times? Or do we really set out a dream, an agenda for the Nation that really is something constructive? My hope is that we will do the latter.

I was just reading an article this morning about the trade deficit. You, ultimately, have to pay for a trade deficit. You pay either with increased productivity or declining quality of life. The best way is, obviously, to have increased productivity.

One of the things that has happened over the past decade, a little more than a decade, is a very substantial shift from grants to loans. In the mid-seventies, 76 percent of the student assistance was in the form of grants; today 67 percent is in the form of loans.

What that does is, first of all, it discourages people from attending college. Our studies show very clearly that those in school on grants are much more likely to stay than those on loans.

It also discriminates. We have made a lot of progress in our society, but those of us who are white males still, on the average, are going to earn more than those of you who are female and those of you who are members of minority groups, when we graduate.

Finally, it postpones dreams. One member of my staff, who is here right now, he and his wife are paying back $1,080 a month on their student loans. That's a pretty powerful kind of a burden to impose on people, and it distorts what people do. Do you become a social worker, or a business major, or a lawyer? It's fairly obvious which major will help you repay your loans more easily.

[The prepared statement of Senator Simon follows:]

PREPARED STATEMENT OF SENATOR SIMON

I don't know of any task that this Congress will undertake that will have a greater impact on the future of this Nation than what we do in the field of higher education. This is the first week of field hearings that Congress will hold across the country to ask for public input into how the Federal programs that aid students and colleges are working, and how they should be changed.

The last two times that the Higher Education Act expired, in 1980 and 1986, we only tinkered with the student aid programs. My hope is that this time around we can really dream, that we can write a Higher Education Act that not only ensures equal educational opportunity, but that will also inspire youth and adults to get the skills and knowledge that will make them more valuable workers and more valuable citizens.

Much has been said lately about the American workforce, about other countries improving their productivity, while the United States lags behind. This is part of the reason for our huge trade deficit. And a trade deficit is something you ultimately have to pay for, just like the Federal budget deficit. We have a choice. We can either pay off this deficit with a lower quality of life, or with higher productivity. And if we want to increase our productivity, we have to educate our workers better.

We made great gains after the Higher Education Act was passed in 1965 and improved in 1972. For example, by the end of the 1970's, the college-going rate for non-whites nearly equalled the rate for whites, and the gap between high-income and low-income college attendance closed substantially. Much of this progress was eroded during the 1980's. The black-white college attendance gap has increased to more than 10 percentage points, and nearly half of the gains made by low-income students have been lost. In addition, those low-income students who do enroll are about half as likely to finish a 4-year degree as they were in 1978.

Contributing to this erosion in higher education has been a declining Federal commitment to student aid. During the 1980's, after considering inflation, per capital income increased by 18 percent, while the cost of attending a private college increased more than 50 percent, public 4-year schools increased 40 percent, and 2-year colleges increased 18 percent. At the same time, Federal student aid *decreased* by 3 percent.

In addition, there has been a major shift in the aid programs from grants to loans. In the mid-1970's, 76 percent of Federal student aid was in the form of grants, with 20 percent provided by loans. Now the situation is reversed: 67 percent is loans, 29 percent is grants.

There are three problems with the excessive debt burden we are forcing on students. First, it discourages many young people from enrolling or continuing in college. For many people, especially the poor, higher education is a risk. They must take time away from work, or from children, or both. The added burden of a loan is, for many, the deciding factor. Second, loans discriminate. While we have made great gains in this society, it is still true that if you are

a woman or a minority, you will, on the average, make less money than those of us who are white males. Loan payments, therefore, end up being more of a burden to women and minorities. Third, loans postpone dreams and twist career goals. Someone who sees years of $500-a-month loan payments is more likely to become a lawyer than a teacher or social worker.

What has happened in these last 10 years is that while the buying power of the Pell grant program has been cut in half, the gap for poor students has been filled by Stafford loans. Meanwhile, many middle-income and working families have been eliminated from the Stafford loan program. These changes have not been good for poor students, they have not been good for middle-income students, and they have not been good for this country.

When Congress passed the Middle-Income Student Assistance Act in 1978, our intent was for a student with family income of $25,000 to qualify for at least a minimum Pell grant, with the subsidized loan program providing the balance of aid. In 1990 dollars, a middle class family with income of $50,000 should receive the same aid. But that family today might not even qualify for a Stafford loan, much less a grant.

We must restore the buying power of the Pell grant, and recommit the Federal Government to helping middle-income and working families send their children to college. I expect the witnesses in the second panel may give us some ideas about how to do this.

Another area that needs some attention is the problem of fraud and abuse by some schools involved in the student aid program. We must restore the integrity of the student aid programs, not just because bad schools increase the loan default rate, but because bad schools hurt students. We must look at how the Department of Education, the States, and the accrediting agencies can take swifter action against fraud and abuse, and do a better job of ensuring the quality of colleges and training programs.

In addition to the student aid programs, parts of the Higher Education Act are designed to help colleges improve their educational programs, provide Federal leadership and assistance in the area of foreign language education, and help colleges recruit and retain low-income and minority students. We will hear more about these programs from our third panel today.

I thank all of you for coming today, the witnesses and the audience. If there is time after the scheduled witnesses, we will put out some microphones so that any of you who want your comments on the record can speak for a minute or 2.

We will proceed with our hearing now. First of all, we are going to get official words of welcome from the most publicized chancellor the University of Illinois in Chicago has ever had. [Laughter.]

Ordinarily, the president of Northwestern University would be much better known than the Chancellor of the University of Illinois in Chicago; but I hate to say to Dr. Weber that Chancellor Jim Stukel is more widely known at this point. [Laughter.]

I am very, very pleased to have you here, Dr. Stukel.

STATEMENT OF JAMES J. STUKEL, CHANCELLOR OF THE UNIVERSITY OF ILLINOIS, CHICAGO, IL

Mr. STUKEL. Well, thank you very much. It is our pleasure, of course, to have you here, you being a person who is a champion of education for many, many years, and we are delighted that you could take time to be here today.

Senator Simon, President Weber, President Cross, and others of you who are here today to discuss issues which are extremely important to all universities, but, particularly, I think important to urban universities. We, at the University of Illinois at Chicago, by way of example, have 25,000 students, and 15,000 receive some form of Federal aid. I would indicate that, without this aid, most of these student would be unable to pursue the dream and opportunities made possible through higher education. Of course, minorities benefit most of all. Demographics indicate, at least in the urban areas, that it is very important; their role will be very important in the years to come. I think there is no greater investment that can be made in terms of these issues.

So, as we look at these things today, I think we have to recognize that the increased demand for higher skills further indicates that those with more education have a greater opportunity to gain employment and, therefore, make contributions to our society. We know that the jobs in terms of the professional occupations that require college education are going to increase 25 percent in the next 12 years, and those that do not require a higher education will be in decline.

So, we are here today, all of us are here today, I think, to make our views known to you, basically to increase grants as opposed to loans, and, last, to simplify the process. The bureaucracy of trying to implement these programs is increasing as we speak.

So, it is with a great deal of pleasure that I welcome all of you here to the University of Illinois at Chicago, and that I commend to you, Senator, one more time for your interest and your presence here today.

Thank you very much.

Senator SIMON. Thank you, and let me offer my congratulations publicly on your appointment. We wish you the very best——

Mr. STUKEL. That's very kind. I'm going to need that. [Laughter.]

Senator SIMON. Let me note also we have a group of visiting parliamentarians and journalists from a number of countries—and I am sure I am going to forget some of them here—Pakistan, Nepal, Senegal, Peru, and Israel. What have I forgotten? Uganda, Nigeria, India, Taiwan, Dominican Republic, Jamaica, and Malaysia.

We welcome you here, and we hope, when this is all over, you can give us a few tips on how to run things better. [Laughter.]

We thank you.

Let me just add my appreciation also to my staff, who has been working in this whole area, some of them working in other areas also, Brian Kennedy, Bob Shireman, Mercedes Laing, Deborah Pascal, and Marta Cerda. I appreciate their work.

Let me also note the presence of someone who headed my subcommittees in the House and then in the Senate for 9 years, 9 long

years, Buddy Blakey, who decided to make money and practice law, instead of working for Paul Simon. [Laughter.]

We are pleased to have in our first panel the president of Northwestern University, Dr. Arnold Weber, and the new president of Chicago State University, Dr. Delores Cross.

Let me just say to all the witnesses, if you prefer to just give an oral statement, we will enter your written statement into the record.

Dr. Weber, we welcome you; we thank you for your leadership you have shown—how many years now as president of Northwestern?

Mr. WEBER. Six fun-packed years, Senator. [Laughter.]

Senator SIMON. All right. We welcome you here.

STATEMENTS OF ARNOLD R. WEBER, PRESIDENT, NORTHWESTERN UNIVERSITY; AND DELORES CROSS, PRESIDENT, CHICAGO STATE UNIVERSITY

Mr. WEBER. Thank you very much. I just would note off your earlier comments that, given the basis of the chancellor's visibility, I welcome my obscurity. [Laughter.]

I extend my congratulations to him as well.

I am very glad to be here, Senator, to testify in the reauthorization of the Higher Education Act of 1965. You have my written testimony commenting on specific aspects of the Higher Education Act of special significance from my vantage point at Northwestern and somebody who has been in higher education for 32 years—boy, man, and mature scholar, if you will.

As your staff requested, my verbal comments will focus, more globally, on the importance of higher education in the United States and the role that the Federal Government has played in the evolution of a system of higher education, and the development of what has been a deep and effective partnership.

In this respect, I would like to make a few general observations to provide the context for the consideration of specific issues and provisions.

I think, first, it should be stated unequivocally that the American system of higher education, as it exists today, is generally recognized to be the best in the world in both scope and quality. Here is an area in which we clearly have maintained our competitiveness, and this is demonstrated very dramatically by the terms of trade with respect to the movement of students internationally and, particularly, with respect to our graduate programs.

This system is comprised of roughly 3,500 institutions. It's a tiered system with a wide range of offerings and opportunities from community colleges, liberal arts colleges, to the great research universities and the technological and science-based institutions, such as MIT and Cal. Tech.

I think the second observation one would make is that, in the United States, higher education is a mass democratic institution. It's not limited to the elite, as defined in either social terms or economic terms, but it has a wide scope and embrace. There are approximately 14 million students who are enrolled in such institutions of higher education this year. Approximately 50 percent of

high school graduates go on to some post-secondary education. So, it's clearly a democratic institution, not an elitist institution.

I would also note that one of the unique aspects of higher education in the United States is the diversity of its government structure, so that we are one of the few systems in the democratic world that has a mix of public and private institutions: Roughly 70 percent of the students are enrolled in public institutions; 30 percent in private institutions. The private institutions provide a range of choice and, hopefully, enjoy a certain measure of flexibility which permit them to be, from time to time, innovators and leaders, not only in Cambridge, but, hopefully, in places like Evanston, Palo Alto, and the south side of Chicago.

I would also note that higher education in the United States has come to play a unique multiple role, which has embedded it in various key aspects of American social and economic development.

First, it is specifically viewed as an engine of economic development, and it has from the first major intervention of the Federal Government in this area with the Morrill Act in 1862, which was devoted to training in the agricultural and mechanical arts. So, universities play a role through the training of skilled personnel and that is responsive to the changing demands of the labor market and, most recently and powerfully as a resource of discovery of new knowledge and technology, which, ultimately, is transferred to society, where it enhances our standard of living and individual productivity.

Higher education has also been an important force for democracy, and this is the parallel objective with the democratization of the institution; and one could talk about a two-fold commitment in this area.

At a very early stage, we committed to education as a device for the promotion of enlightened citizenship to exercise the responsibilities of democracy; and, more recently and powerfully, as a salient vehicle to provide economic, social and political opportunities for all members of American society, particularly minority groups, who, heretofore, had been foreclosed; and, indeed, it is no accident of history that the Higher Education Act initially was passed in 1965 during the peak of the so-called "war on poverty" and civil rights revolution, which was led by Lyndon Johnson.

Third, I think it's important to note that higher education in this country has come to be viewed as an agency for service and problem-solving for society. So, it isn't just a passive, detached observer of the social and national scene, but rather incentives and a whole culture has been created to elicit and promote active engagement with important problems: Pollution, race relations, urban development, health service delivery, and what have you. Much of that tradition, of course, grew out of the great public institutions and the extension services, but it also suffuses private institutions. So, for example, as a modest commercial, Northwestern University is now very deeply involved in the process of economic development and urban renewal in the Evanston area through the commitment to a major research park.

Against this background, the Federal Government has been an active partner in higher education for 129 years; and this partnership has been related to the objectives and functions stated above.

At the very outset, as I indicated, the Federal Government made a great democratic public system of higher education possible with the enactment of the Morrill Act and the establishment of the land grant institutions. I think it is of great significance that that act was passed in the middle of the Civil War—and it is fair to say that the Congress and the President were diverted by other more urgent considerations—and it was considered a companion to the Homestead Act, both aimed at promoting economic development and expanding opportunity for all citizens.

More recently, the Federal Government has been a major force to broaden access to higher education by democratizing opportunity. One could trace this to the GI Bill in the period right after World War II, which is probably one of the more successful social experiments in the history of the United States, and then through the fifties and into the more recent decades through the development of the various grant and loan and work/study programs which have been enacted and implemented under the umbrella of the Higher Education Act of 1965.

Although I don't talk to this specifically here, I would just note that, in my statement, I share concern for the imbalance that has developed between loans and grants. I think the mix is certainly inappropriate, that the mix at this point is far too lean and inconsistent with the general objective of access.

I think the Federal Government has also had a long partnership with higher education in developing and operating a joint research enterprise and the promotion of graduate study. You can actually trace this back to World War I; but, more recently, it has been associated with post-Sputnik activities, the programs in the National Science Foundation, the National Institutes of Health, of the Department of Energy, and what have you. The help that has been provided with facilities and graduate fellowships has really been very important, and it is through this notion of support of research that the mission of economic development has been broadened and somewhat transformed in a more pointed way to help universities and colleges to be an important player in global competitiveness by having both better trained, smarter, more versatile workers and employees, but also being on the leading edge of technological development in things like electronic materials, bioprocessing, telecommunications, and what have you.

I think also the partnership between universities and colleges and the Federal Government has increasingly looked to higher education to solve problems. I think many of us have been guilty to some extent of overpromising and underperforming. That reflects the, I think, hyperbolic quality of some people in the business, but, nonetheless, there is no doubt that universities have made important contributions to major issues confronting society today.

So, I would say that, one, the system of higher education in the United States is complex, diverse, and of extremely high quality, and two, this benign state of affairs in a large measure, particularly over the last 50 years, reflects the partnership and the compact that we have had between the Federal Government and colleges and universities. We understand that there are a few pressures, fiscal and otherwise, playing on both institutions today, but I would certainly join the chorus indicating that the reaffirmation of that

compact and that partnership, in the interest of American society in general, is certainly an essential goal today.

Thank you very much, sir.

[The prepared statement of Mr. Weber (with attachments) follows:]

PREPARED STATEMENT OF MR. WEBER

The importance of the Nation's colleges and universities, both in developing human capital through higher education and in developing innovative technology through basic research, is generally recognized. During the 1980s, however, both the success of this enterprise and the level of support by the Federal Government were called into question. Today we face, on the one hand, the indisputable fact of the Nation's declining competitiveness in the global marketplace; on the other, the question of how the United States can afford the increased investment in education and research necessary to restore competitiveness.

These issues must be addressed in the present discussions on reauthorization of the Higher Education Act of 1965. Title IV was designed to guarantee access and choice for higher education through financial aid to lower- and middle-income students; title IX was created to support research through fellowships to graduate students; the other titles were intended to provide vital support to educational programs (e.g., facilities, libraries, and foreign area studies). Since the quality of education and research bears directly upon international competitiveness, I will focus my remarks concerning reauthorization on the issue of quality in three areas of special concern to Northwestern University, the State of Illinois, and the Nation as a whole.

First, like many others, I am troubled about problems regarding the quality of elementary and secondary school preparation for higher education. We need creative ways to reward and promote scholastic achievement. The early identification and encouragement of talented students, through programs such as the Midwest Talent Search and the Center for Talent Development at Northwestern, are important ways to link secondary schools with higher education. One new proposal in this area is the Presidential Achievement Scholarship, a $500 award based on superior high school performance. Although Northwestern has virtually no non-need-based financial aid, I support any proposal that addresses the goal of increased academic standards by providing significant incentives for performance.

Second, we need to acknowledge that Federal support for financial aid has an important, albeit indirect, relationship to institutional quality. An equitable and efficient financial aid delivery system is not an end in itself, but is only a means to help students with limited financial resources achieve their educational goals. While others will make suggestions on ways to improve the financial aid system, I wish to emphasize the quality of the programs by which colleges and universities address the educational needs of their students. I believe our foremost responsibility is to support the quality of instruction, including related research, and to provide sufficient resources for the evaluation and improvement of teaching. However, the more of its own money a school must spend on grant assistance, the less it has available for faculty salaries and academic programs.

In the 1960's, private institutions, such as Northwestern, made a major commitment to provide access to higher education for all qualified applicants, regardless of need. Significant support in achieving this goal was provided by the Federal Government. As Federal aid has been constrained, however, internal resources have been allocated for this purpose. At Northwestern, approximately 25 percent of our tuition revenues are used for financial aid.

Similarly, Illinois private colleges and universities have had to increase their own grant aid spending by 213 percent between 1980 and 1989. During this period, the federally funded share of financial aid declined from 26 percent to 16 percent of the total aid dollars, and the State share from 19 percent to 11 percent. However, loan dollars increased from 24 percent to 34 percent of the total. Therefore, in order to preserve institutional choice as a viable student option, Illinois colleges and universities increased institutional funds from 31 percent to 39 percent of the financial aid total, attempting to offset the decrease in government grant aid as a percentage of the cost of attendance.

Much of this financial aid has gone to minority students, and the private sector has recorded the greatest percentage increase of these students over the past decade. At the same time, however, middle-income students have taken on an increased burden of loan debt because of rising educational costs and diminishing

grant assistance. To encourage institutional quality and to provide access and choice for middle as well as lower-income students, grant support must be increased at no less than the rate of inflation, and work-study and loan programs must be expanded, particularly for upper-division students.

Third, I am concerned that the United States has failed to keep pace with other industrialized nations in supporting high quality programs in graduate education, which is closely interrelated with university research. We must make graduate education and careers in education, especially in the sciences and engineering, attractive to prospective American graduate students. In 1978, U.S. universities awarded 30,875 doctorates, with 18 percent going to foreign nationals; in 1988, 33,456 U.S. doctorates were awarded, 30 percent to foreign nationals. In 1989, foreign nationals received more than 36 percent of the U.S. doctorates in physical science, and more than 55 percent in engineering.

The United States will have increased difficulty competing in world markets if we continue to provide our most advanced education to the citizens of other nations while neglecting our own students. For this reason, I urge continued support for the title IX programs, especially Graduate Assistance in Areas of National Need, in order that academic departments can attract the highest quality American students.

The title IX programs also address this problem by encouraging non-traditional students to enter graduate education. We all share the goal of increasing minority participation through the "diminishing pipeline" from high school graduation to achievement of a graduate degree, and ideally to a teaching career in higher education. I enthusiastically support the title IX programs as one way of expanding the pool of qualified minorities who have been traditionally under-represented in higher education. Proposals, such as the American Association of Universities plan for summer internships, are another excellent way to assist minority scholars. I should also mention that the Illinois Board of Higher Education has committed significant resources to minority articulation programs in a vigorous effort to attract, graduate, and retain minority educators.

Let me summarize briefly the main points I have outlined above.

(1) Enhancing the quality of higher education, particularly for undergraduates, must be the first priority of colleges and universities.

(2) The Federal role as the primary guarantor of access and choice through financial aid, as well as a major supporter of research through graduate fellowships, should be continued and expanded.

(3) The proportion of Federal financial aid through grants must be increased, redressing the current imbalance that has lead to excessive student loan debt.

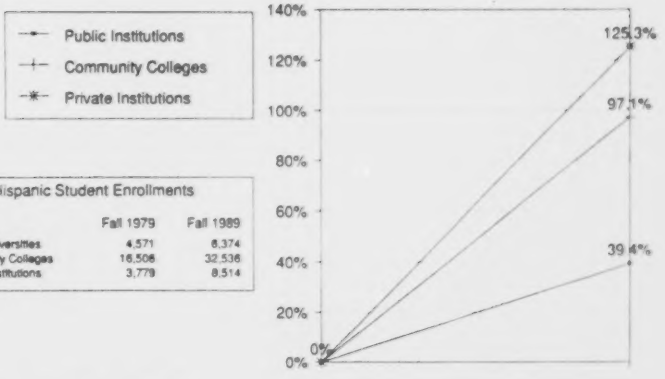
(4) The increase of Federal financial aid to lower-income students should not come at the expense of middle-income students, who are already heavily dependent upon self-help and hard pressed to meet the costs of higher education.

(5) The need for early intervention and continued assistance that will encourage minority students to remain in the educational system and graduate at its highest levels is a national priority.

(6) The Higher Education Act, including support for institutional programs (e.g., facilities, libraries, and foreign area studies) as well as financial aid and graduate fellowships, must become an even more important engine for individual opportunity and national competitiveness.

Having served as an official in government as well as higher education, I am well aware of the conflict between desirable program goals and limited program dollars. Nevertheless, it is not an exaggeration to say that our Nation's ability to compete in the present world depends directly upon the quality of our programs in higher education and basic research. Since the 1960's, the Federal Government has played an important role in supporting the quality of such programs. This year, as Congress debates the reauthorization of the Higher Education Act, decisions will be made that directly effect our Nation's capability for technological, economic, and political leadership in the 21st Century. I urge you to make the necessary investment to guarantee the Nation's future.

Percentage Increase of Hispanic Students in Illinois Higher Education by Sector FY1979 to FY1989

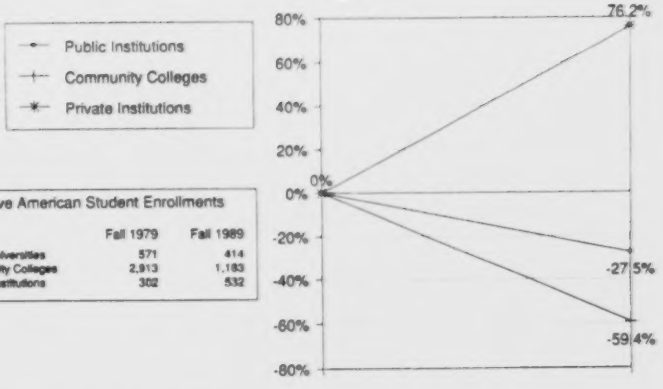


Hispanic Student Enrollments

Sector	Fall 1979	Fall 1989
Public Universities	4,571	8,374
Community Colleges	16,508	32,536
Private Institutions	3,779	8,514

Source: IBHE Fall Enrollment Survey

Percentage Increase of Native Americans in Illinois Higher Education by Sector FY1979 to FY1989

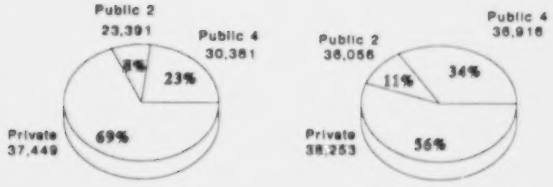


Native American Student Enrollments

Sector	Fall 1979	Fall 1989
Public Universities	571	414
Community Colleges	2,913	1,183
Private Institutions	302	532

Source: IBHE Fall Enrollment Survey

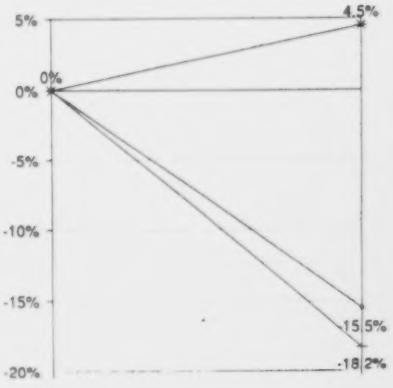
Monetary Award Program Percent of Dollars and Number of Awards by Sector



FY1980 FY1991 (Estimated)

Source: ISAC, 1990

Percentage Increase of Black Students in Illinois Higher Education by Sector FY1979 to FY1989

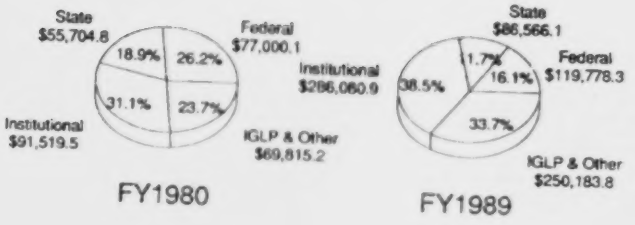


Black Student Enrollments

Sector	Fall 1979	Fall 1989
Public Universities	22,682	19,148
Community Colleges	57,934	47,382
Private Institutions	16,929	17,586

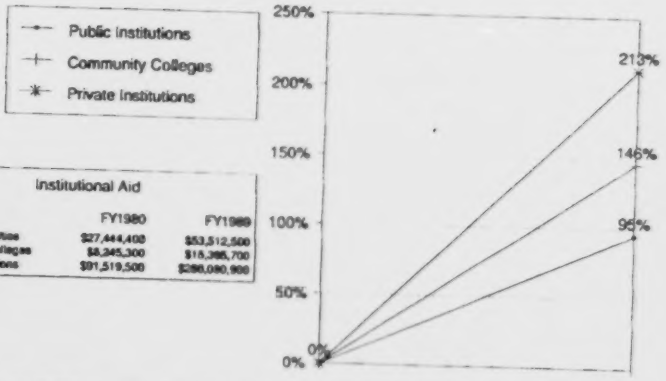
Source: IBHE Fall Enrollment Survey

Distribution of Student Financial Aid in Illinois Private Colleges FY1980 and FY1989



Source: IBHE Data Books, Table IX-1
* Dollars in Thousands

Percentage Increase in Institutional Aid in Illinois Higher Education by Sector FY1980 to FY1989



Institutional Aid

Sector	FY1980	FY1989
Public Universities	$27,444,400	$53,512,500
Community Colleges	$8,345,300	$15,385,700
Private Institutions	$91,519,500	$286,080,900

Source: IBHE FY1981 and FY1990 Data Book

Senator SIMON. I thank you, Dr. Weber.

Dr. Cross, we welcome you. As I understand, you were just inaugurated Saturday——

Ms. CROSS. Right.

Senator SIMON [continuing]. As the new president of Chicago State University. I do not know whether this is a good or a bad way to start your presidency, but, either way, we welcome you and are pleased to have your testimony.

Ms. CROSS. I think it is an excellent way to start things out. It has been an interesting, fascinating 8 months. I am fond of commenting that I put my inauguration off because we have just been too busy; but we got around to it.

Senator Simon, it is an honor to be asked to testify on the importance of the reauthorization of the Higher Education Act.

I am Delores Cross, president of Chicago State University, one of the five universities within the Board of Governors system. Chicago State University is an urban commuter, multiple-purpose university, with a current enrollment of 7,500 students. As president of an urban university serving a large proportion of under-represented students, the potential impact of the reauthorization of the Higher Education Act is great.

Institutional data collected by the Illinois Board of Higher Education indicates that three-fourths of students at Chicago State receive some form of gift aid. That is a higher percentage than any of the other Board of Governors Universities. It is also a clear indication of the financial need experienced by students. Those who borrow for education, 21 percent, have the highest average loan amount; again, a testimony of their financial need.

In addition to the financial need, many of our students, like students in need at many urban universities, are at risk of not persisting to graduation. There are many concerns vying for their attention, and they may be also academically underprepared.

What should the role of the Federal Government be with respect to student aid programs and basic educational support services for Chicago State University and similar institutions? Students who are in college for 7 or 8 years need the sustained support of a financial aid system. Since these students will be in college longer, they will need assurance that financial aid will be there for them as long as they need it. But even more critical for policymakers is to review the intent of financial aid as well as the trends in financial aid support that students and parents experience today.

In examining the Federal and State responses to escalating college costs, national student financial aid statistics over the last decade have exhibited some disturbing trends. The most striking of these is the fact that student aid has clearly failed to keep pace with rising college costs during the eighties. Another trend that emerged during the decade was a growth in the percentage of aid that is administered in the form of loans, causing concern about high levels of student indebtedness and growth in student loan defaults.

While it is encouraging that there has been an 87 percent increase in Pell grant expenditures, an additional disturbing trend is that the maximum Pell amount awarded to the neediest students

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has increased by only 31 percent. At the same time, college costs have increased by 105 percent.

Another disturbing trend is the disproportionate increase of how much low-income families are expected to pay toward college costs. For example, over the decade, the family contribution for low-income students increased by 97 percent, while the increase for mid-income families increased by only 18 percent.

Regardless of how these facts are interpreted, a message has already come through that is entirely inappropriate. It says that, while the Federal Government is saying that colleges should increase their minority enrollments, at the same time, it is tying their hands in being able to offer financial assistance.

Much damage has already been done to minority students who, thinking that money for their education has been lost, will be too discouraged to apply. Yet, we cannot, should not put hope on hold. Therefore, the Federal Government, if it is to support access to higher education and retention for minority and low-income students, it must make more grant aid available to low-income students, direct more student aid at the population of students attending school, a mixture of part-time and full-time. These students often tend to be minority and women. It must also look at tilting the loan/grant balance in favor of more grant funding for low-income students, and the levels of expected family contribution must become more realistic. For low-income families, we need to remove the constraints on how the family pays for the expected family contribution.

In reference to basic education support programs, the Federal Government must expand its role. The expansion should be in the direction of early intervention and increasing the number of eligible participants. In addition, in order for institutions of higher education, like Chicago State University, to maintain its momentum in addressing the needs of its students, it must be emphasized that the primary objective of the Federal Government, in supporting basic educational programs, is to ensure access, enhance retention, and increase graduation rates.

Thus, we must look for the connectedness between various programs as they relate to the institutional mission. At Chicago State University, we have set as our primary goal the success of our students. For example, as a result of the implementation of student success initiatives, we have reduced the first year freshman dropout rate from 25 percent to less than 4 percent. We have awarded faculty incentive grants to enhance the role that the faculty plays in the success of students, and we have established an Office of Academic Support Services that monitors students at the 6th, 9th, and 12th week intervals, and offers immediate academic and personal support for those who need it.

It is our hope that the Federal Government, with your leadership—and I know that you have played a key role in our maintaining our momentum, our vitality, and our vision—will support strategies that respond to the differing needs and backgrounds of students. All students come to college with diverse perspectives, attitudes, and aptitudes. It's our hope that we will receive the support and adequate financial aid which acknowledges the reality of the human condition, that there are many students with high potential

who are sometimes academically underprepared and families do not have the financial strength to provide the support that is so necessary.

Chicago State University is on the cutting edge of developing innovative initiatives to address the diversity of each individual student. If Chicago State University is to continue, if Chicago State and other urban universities are to continue to favorably impact student access, retention, and success, the Federal Government must support its efforts as well as similar efforts at other universities.

We welcome your support. Thank you.

[The prepared statement of Ms. Cross follows:]

PREPARED STATEMENT OF DELORES E. CROSS, PRESIDENT, CHICAGO STATE UNIVERSITY

Good Morning,

Senator Paul Simon and members of the Senate Labor and Human Resources Subcommittee on Education, Arts and Humanities.

It is indeed an honor to have been asked to testify on the importance of the reauthorization of the Higher Education Act.

As President of an urban, commuter university the potential impact is great.

Chicago State University is one of the five universities within the Board of Governors System. It is an urban commuter university with a current enrollment of approximately 7,000 full-time and part-time students.

Chicago State offers 50 programs of undergraduate study, 26 graduate programs, and a number of nontraditional, continuing education course offerings both on and off-campus. In 1989, CSU conferred 554 bachelors degrees and 274 masters degrees. CSU has over half of the minority internships in the BOG System (52% in 1985).

Chicago State students have demographic characteristics similar to those of many of today's urban university students. They are likely to:

- *be the first generation in their family to attend college;*
- *live in a densely populated urban area;*
- *belong to a minority, racial or ethnic group;*
- *have spent some time working or caring for a family before coming to college, and therefore are older (the average age for Chicago State undergraduates is 26, for graduates, 37).*
- *be economically disadvantaged; and*
- *be academically disadvantaged.*

These students are highly dependent on student financial assistance to help pay their educational costs. Because they tend to be older, they do not have the parental financial support that traditional dependent students have. Most of them work, even while attending school full-time. Many have families who are dependent on them.

Institutional data collected by the Board of Governors indicates that three-fourths (75%) of students at Chicago State receive some form of gift aid. That is a higher percentage than at any of the other Board of Governors Universities. It is also a clear indication of the financial need experienced by the students. Those who also borrow to pay for education (21%) have the highest average loan amount, again a testimony to their financial need.

Clearly, students in this situation are at risk of not persisting to graduation. There are so many concerns vying for their attention, that without a strong system of support services tailored to individual student needs, many will not persist to graduation. Others who do persist may do so through a combination of full-time and part-time attendance, or by dropping out at intervals. The result is that it could take them as long as seven or eight years to complete a bachelors degree program. The notion of graduation after four or five years is unrealistic for these students.

What, then, are the financial aid implications for Chicago State University and similar institutions? Students who are in college for seven or eight years need the sustained support of a financial aid system. If they receive aid for four years and then are left out there on their own, they may not persist. They must know early and for certain that the financial aid will be there, when they need it, on a timely basis. It is critical that students have complete information early enough to plan for and continue their education. Since these students will be in college longer, they will need assurance that financial aid will be there for as long as they need it. But it is even more critical for policymakers to review the intent of financial aid as well as the trends in financial aid support that students and parents experience today.

The intent of student financial aid is to provide access to higher education for students who otherwise could not afford to go to college. Student aid is a means of supplementing family resources to pay for college. Before describing trends in student aid funding, it is probably helpful to review briefly the process by which financial aid amounts are determined on an individual basis.

Most formulae for calculating financial aid awards involve a need component. That is, the formula calculates what the family is expected to contribute based on income, assets, family size, number of members attending college, and a number of other factors. These formulae are mandated by Congress for the federal student aid programs, and by the states for state-funded programs.

The expected family contribution is then subtracted from a cost-of-attendance budget to arrive at an individual student's "need". A financial aid package is then constructed by the college's financial aid office to attempt to meet the student's need. That package may contain a combination of grant, loan and work components.

Traditionally, funding for postsecondary education for low-income students has been a partnership among the federal government, state government and the family (through the family contribution). So the factors to consider when examining trends in education financing include the state versus federal share, the grant versus loan balance, the family share and, last but not least, the ability of financial aid to keep up the college costs.

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In examining the federal and state responses to escalating college costs, national student financial aid statistics over the last decade have exhibited some disturbing trends. The most striking of these is the fact that student aid has clearly failed to keep pace with rising college costs during the 1980's. The average cost of attendance at public universities increased from $2,711 in 1980-81 to $5,566 in 1989-90, a 105% increase (40% increase in constant dollars). During the same period, total student aid (from federal, state and institutional sources) increased from $17.2 billion to $27.9 billion, an increase of 62% (10% increase in constant dollars).

In addition to an overall inability to keep up with college costs, student aid has become an increasingly greater responsibility of the states and the educational institutions. Of the $27.9 billion available in student aid nationwide in 1989-90, the federal government provided 73%, the states 6%, and the institutions 21%. In 1980-81, those percentages were, respectively: the federal government, 83%; the states, 5%, and the institutions, 12%.

These changing shares are reflective of differential rates of growth among these sources. For example, total federal aid grew by 42% over the decade. However, when corrected for inflation, that change is actually -3%. This means that federal aid in 1989-90 had less buying power than it had a decade ago. In contrast, state expenditures for student financial aid grew by 123% over the same period, or +52% in constant dollars. Clearly, the federal-state partnership in helping students and families pay for college is eroding, leaving the states to assume a larger share of the burden.

Another trend that emerged during the decade was a growth in the percentage of aid that is administered in the form of loans. In 1980-81, loans comprised 40% of all aid awarded. By 1987-88, that proportion had grown to just over 50%, causing concern about high levels of student indebtedness and growth in student loan defaults. Of particular concern was a growth in borrowing among low-income students, many of whom attended proprietary institutions. For many of those low-income families, borrowing and credit were a new experience; they were unfamiliar with their rights and responsibilities as borrowers. Students who did not complete their programs or who were unable to find jobs even after completing were in some sense in an even worse predicament - they were still unemployed...and also in debt. Many research studies have shown that these are ideal circumstances for default to occur.

The effects of the 1986 Amendments to the Higher Education Act and federal initiatives to reduce student loan defaults are reflected in more recent loan statistics. Loan volume continues to grow but at a slower rate than earlier in the decade. As a result, the ratio of grant-to-loan assistance has stabilized. In 1989-90, loans represented 48% of all government and institutional aid awarded to postsecondary students.

One encouraging trend at the federal level has been the real growth of Pell grants, which increased from $2.4 billion in 1980-81 to $4.5 billion in 1989-90. This was an 87% increase in Pell expenditures, or +28% in constant dollars. However, the maximum Pell amount awarded to the neediest students has increased by only 31%, from $1,750 to $2,300, at the same time that college costs have grown by 105%. The maximum Pell award today has less buying power than it did a decade ago.

If we compare the growth of Illinois undergraduate need-based student aid with that of the Pell grant program, we see that Illinois grant funding has grown at a faster rate. In 1989-90, Illinois awarded $204.3 million in grant aid, making it the second largest state in the nation in terms of grant aid (behind New York). Of that total, $180.8 million was awarded in state scholarship and grant programs based on need. This represents a 111% increase in this type of aid since 1980-81. Thus, Illinois need-based grants have grown faster than federal Pell grants (at 87% growth) and have exceeded the growth in average cost at public universities (105%).

Let's pause for a moment to summarize some of the points discussed thus far. On a national basis, total student aid over the past decade has not kept up with rising college costs (+62% for total aid, +105% for public university costs). Pell grant funding has not kept pace with college costs (+87% for Pell, +105% for public universities (105%).

So the question remains concerning what has happened to the remaining partner - the family. As might be expected, they have had to dig deeper to help pay for college costs. Data compiled by the American College Testing program (ACT) indicate that "the mean family contribution for dependent undergraduates with parental income between $9,000 and $12,000 has grown from $901 in 1980-81 to $1,771 in 1989-90, a 97% increase. At the $27,000 -30,000 income level, the average family contribution increased from $2,965 to $3,495 (+18%). Thus, most families are required to contribute more and low-income families are experiencing a disproportionate increase in how much they are expected to pay toward college costs.

Given these converging economic factors, it should not be difficult to understand why access to higher education is becoming increasingly problematic for low-income students. This is confirmed in research conducted by ACT, which found that "the progress made during the 1970's in closing the college participation rate gap (between high school graduates from the lowest quartile and those from the top half of the family income distribution) was erased during the 1980's."

These findings and the demographic projections for our nation's population and work force should sound an alarm. Recent announcements by the U.S. Department of Education suggesting that colleges' use of minority-targeted scholarships could cause them to lose eligibility for federal student aid is another indication that we are moving in the wrong direction.

Regardless of how this issue is eventually interpreted, a message has already come through that is entirely inappropriate. It says that while the federal government is saying that colleges should increase their minority enrollments, at the same time it is tying their hands in being able to offer financial assistance. Much damage has already been done to minority students who, thinking that money for their education has been lost, will be too discouraged to apply.

Given that projections are for larger proportions of children from minority groups and from low-income and single-parent families, we will be placing our nation in jeopardy unless we recognize the need and are prepared to spend more to educate our citizens. We cannot continue the regressive pattern of one step forward followed by two steps backward if we are to have a well-trained work force that will allow us to compete in the world market.

Given what we know about our current student population and the characteristics of those who will comprise the college student pool over the next decade, I would like to summarize what I believe are the basic principles for student aid that must be included in the reauthorization of the Higher Education Act.

First, more grant money must be made available to low-income students. Funding for the Pell grant program should be increased to address the escalating direct and indirect costs of college attendance. In particular, adjustments to the Pell grant formula would recognize the absence of family financial resources for college among low-income and financially independent students. Students who are willing to work to help out are penalized by a need analysis formula that requires a 70% contribution of their resources toward college expenses.

Additionally, the Pell grant formula contains a limiting criterion for award determination that is not related to income. The 60%-of-college-cost "cap" on awards disproportionately affects low-income students at low cost state colleges, particularly if they are commuters. Students at Chicago State University, and similar students, would benefit from elimination of the provision of the Pell award determination. Increases in the maximum Pell award would benefit all students who provide some relief for families struggling to pay for their children's educations at the higher cost private colleges.

Second, given that many colleges, particularly those with large proportions of women and minority students, often have the majority of their students attending on a part-time basis, more student aid has to be directed at that population. Demographic studies have shown that part-time students generally do not choose that pattern of attendance, rather, they are forced into it because of family and job responsibilities. Part-time students often are earning salaries--that sometimes become a penalty when their incomes are judged to be too high for students aid, even though that income is a necessity to support a family. I recommend that more realistic income expectations in relation to part-time student aid eligibility be considered.

Third, tilting the loan/grant balance in favor of more grant funding for low-income students will ultimately pay off in lower student debt burdens and fewer defaults. However, legislation also is needed which will give students a second chance for educational access even

if default occurs. When students are forced to leave school due to unforseen circumstances, a potential dropout situation could be converted to a stopout situation if that student has financial support to return to school when he or she is ready. The likelihood of a student loan default being paid off increases if the student can complete his or her education and get a good job.

Fourth, is the role of the states in providing student financial aid and how it can be encouraged through federal action. As I described earlier in this presentation, the states collectively have been providing an increasing share of student aid funding. The impetus for increased state involvement on a nationwide basis originated with the State Student Incentive Grant program, which was enacted under the Education Amendments of 1972. We need to continue putting money into that program to encourage state governments to continue to seek creative ways of providing student aid funding.

Fifth, the levels of expected family contributions must become more realistic. Over the last decade, the expected contribution derived from the need analysis methodologies for a given family income level has increased, while the buying power of that income has gone down. For low-income families, we need to remove the constraints on how the family pays for the expected family contribution. Prior to the 1986 amendments, if a poor family was willing to borrow and go into debt for their child's education, that loan could be counted toward their contribution. Today, that family must come up with the expected family contribution before they can borrow.

Finally, we must develop strategies, that respond to the differing needs and background of students coming out of high school. Students come to college with diverse perspectives, attitudes and aptitudes. Just as colleges need to address these issues in their curricula and support services, student aid needs to respond in a parallel fashion to the access needs of these students.

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Senator SIMON. I thank you, Dr. Cross.

Let me direct just a few questions to each of you.

One is both of you talked about the need for increasing grants. The Pell grant originally paid for about 46 percent of college attendance costs; it is now down to about 25 percent, on the average. There is talk—which is more than talk—a couple of us introduced bills to make the Pell grant an entitlement.

Under the budget agreement that was passed last year, which I ended up voting against there are two features. One of the features, and my reason for voting against it, is if we want to take a billion dollars from Star Wars and put it over to education, it requires now a 60 percent vote of Congress. It is a protection for, frankly, the defense industry that no other group in our society has. But another part of the bill that I did not object to, because we have to face our financial problems, is, if we create an entitlement, we also have to provide the revenue for that entitlement. If the subcommittee eventually recommends that we make an entitlement—and we are tossing out various numbers now—we are running numbers, for example, right now on the idea of a $2,800 Pell grant or one-half of tuition costs, whichever is higher—that would encourage the diversity that you are talking about, Dr. Weber—and to make that an entitlement. All of these numbers may have to be changed appreciably before we get to the final package. But, if we were to have, for example, a $5 oil import fee to go for higher education, it would be welcomed by the domestic oil industry; it would be welcomed by conservationists, and it would create about $9.5 billion in additional revenue.

Now, the question is: Would the higher education community stand up and fight, not just for the money, but for the taxes to pay for it? And I'm speaking not just for yourself; but do you—what's your instinct with—and not just the two of you, but you look at your own boards. Would those board members be willing to stand up?

Dr. Weber.

Ms. CROSS. Well—do you want me to take it?

Senator SIMON. Either one of you. Go ahead.

Ms. CROSS. I think that it would be willing to fight. I remember, in the 1980's, when Reagan began threatening cutbacks in Federal aid, and I was astounded by the way the higher education community mobilized, and they were—they made presentations before you, talking about their great concern about cutbacks.

I think what you have here is not only a realization that more grant money is needed, but you also have developed a means to rectify some of the problems that we all identify as problems to our meeting the intentions of the Higher Education Act originally.

I think that it may be difficult, given some boards of trustees, but it's my experience that my colleagues in higher education, presidents, understand the issue and realize that the money has to come from somewhere; and this does not seem something that they would be adverse to.

Senator SIMON. Dr. Weber.

Mr. WEBER. I do not think there is any doubt that people in the higher education community, narrowly defined, would support this, because they see a provision as being responsive to an acute need. I

think, as you move out to other concentric circles, boards of governors, trustees, regents, I think that support is likely to be tempered by the same considerations which play on the Congress. One, it's a new tax, and there's at least some ideological convictions that move in other directions; and, second, you all understand better than I do the great pressure exerted on this policy area by the existence of the Federal budget deficit.

Now, I hope you will pardon me. I am giving you an academic analysis of it, but I think the higher education people would certainly be responsive to it. I think we all feel the erosion of the real value of the support, particularly in the grant area; and, properly, we've given principal emphasis to the poor and low-income people. That pressure now is almost equally acute on middle-income people. People tend to view an institution like Northwestern as some idyllic, affluent island nestling up there in the North Shore; in fact, 52 percent of our kids are on financial aid. The university itself, from its own resources, provides in excess of 25 million a year. Twenty-four percent of our undergraduate student body is minority, including Asian Americans, African Americans, and Hispanic. So, those needs are equally acute for us. I think you have a tougher sell as you get into a wider fiscal game.

Senator SIMON. And I thank you both. If, and it is an "if" at this point, if we stick out our necks, we want to have some support out there.

Mr. WEBER. We are right behind you, Senator. [Laughter.]

Ms. CROSS. Well, I think we also have to look at—I mentioned the eighties. I think also we have to look at the process of involving people. The presidents seem to be ready to go down to present their points of view to Congress, but I don't know how often the presidents have been asked to do that since those days in the early eighties. I know I was quite involved then, but I don't know how often——

Senator SIMON. I remember you testifying before us in those days.

Ms. CROSS. Yes. That has happened since.

Senator SIMON. In your statement, Dr. Weber, you say "Illinois private colleges and universities have had to increase their own grant aid spending by 213 percent between 1980 and 1989," and then you point out the decline of the Federal assistance.

Mr. WEBER. That is correct.

Senator SIMON. What has that meant in practical terms for you, Northwestern University?

Mr. WEBER. Well, it has meant two things: Clearly, the need to fill the gap that was created by the implicit withdrawal of Federal support has put increased pressure on tuition. As you know, there is a fair amount of public interest and often controversy now associated with tuition rates, because, in effect, within many private institutions, the Harvard's, Chicago's, Washington University, Northwestern, we run little income transfer programs. We have to have a certain proportion of students who are full payers, and then you transfer some of those resources to support those who do not come from families that have the necessary resources in the form of financial aid. There is no doubt about it, it's been a contributing factor that has put pressure on tuition and it is a dilemma you are

in, because, to the extent that you increase tuition in order to pick up your responsibility for financial aid and to preserve needs blind, merit-based concepts, to that extent you tend to limit a certain margin of students who, otherwise, don't qualify for financial aid.

The second thing that it has done is it has reduced, marginally, the body of resources that are available for program improvements and program administration. So, again, just a casual reading of the newspapers would indicate the field is sort of littered with major institutions which, surprisingly, have to deal with significant financial deficits, including Stanford—that might not be the best example these days—Cornell, the University of Pennsylvania, and what have you. So, we made the commitment in the mid-sixties to access a needs blind admission.

There was a partnership, an implicit proportionality between the government and the institutions. The government has changed the rules of the game for what might be good, although not sufficient, reasons. We have stepped up and filled the gap; and, in Illinois, that is dramatically indicated by that 200 percent-plus increase of our institution aid.

Senator SIMON. But the point is that is not a cost parity thing in terms of quality of programming you can do.

Mr. WEBER. Well, you have to begin, Senator, in a private institution such as ourselves, even at our tuition rate, which is $13,700 a year, which isn't mashed potatoes. We estimate that only covers something like 70 percent of the total cost; so, there are already subsidies that are put in there from endowments, gifts, and other sources of income.

In the public institution, that comes from a direct subvention given by the legislature to the institution.

So, none of us are in a business where we can charge full cost, and any pressure on the margin through these budgetary dynamics makes the situation more acute; and it certainly is not correct that what you lose on the piece, you make up on the volume. They might teach that at Harvard Business, but not at the Kellogg School at Northwestern. [Laughter.]

Senator SIMON. All right. Two other questions that I want to direct to both of you—this is not a huge item in terms of visibility, but there is a declining percentage of American faculty and students studying abroad, teaching abroad. I cannot believe that is a healthy thing for this country, long-term. Back in 1984, when we were talking about reauthorizing, I introduced a bill that would have said, just to grasp an idea, that we would give each institution $15 per full-time equivalent student for encouraging this kind of studying abroad, teaching abroad.

Any ideas, off the top of your head? My guess is this is more a problem at Chicago State than it is at Northwestern.

Ms. CROSS. Yes. It is for us a real problem, and it really relates to your other question.

Chicago State is 85 percent minority student, and we have had on the drawing board setting up a program of international studies. What we have had to do is to direct some of our resources for faculty success initiatives, faculty development programs, to help students, because that is in line with the institutional mission.

As we approach the reauthorization and the dollars that colleges don't have, and you look at urban institutions, you deal with reality that we are having to reallocate to provide the safety nets and the supports that the students must have if they are to succeed. We also have to look at the reality that raising dollars for our students is a problem. We have too many students who are borrowing. When there are cutbacks, the only options—we do not have institutional dollars to give the students, so the students have to leave.

Senator SIMON. If I may ask——

Ms. CROSS. Students have to drop out.

Senator SIMON. Do you have an endowment at Chicago State?

Ms. CROSS. No, we do not have that. I mean that is one of the things that public institutions, such as mine, are getting more and more involved in, the reality that we have to raise dollars to provide more grant dollars for our students, but also to provide more money for our faculty with their success initiatives.

So, what this means is that our students perhaps don't have access to the programs that we are talking about in terms of—well, we can do the internationalization of the curriculum and the pluralization of the curriculum, but the opportunities to study abroad are not as frequent as we would like.

We have a small contingent of international students, fewer than a hundred. So that, when we look at the impact of the past 10 years, what we see is institutions such as ours have had to put their resources to support programs that the students need; we have to look at raising unrestricted dollars for grant support and faculty support, and, at the same time, we have not been able to follow up on the initiatives, to create the quality, in-depth international programs that are so important to students.

Senator SIMON. Well, how many full-time equivalent students would you have?

Ms. CROSS. We have about 5,000 full time.

Senator SIMON. OK. Dr. Weber.

Mr. WEBER. Well, I certainly agree that the need for study abroad is certainly greater these days for all the obvious reasons. At Northwestern, we have a well-developed program. I would say, to the extent that it is given attention within this policy context, that is, the reauthorization of the Higher Education Act, that the first claim is certainly on expanding grants, doing things in graduate study facilities. This would be an important, but secondary aspect; and, in my judgment, if you would expand support, you should make sure that it continues to be linked to need; that is, you should not provide rich kids some basis for going abroad, because you think that society will benefit from them having that experience. They'll find a way.

Senator SIMON. All right. [Laughter.]

And then, one final question. Dr. Stukel, you're still here; if you want to join on this, you are welcome to. What do we do in the field of graduate study to provide greater assistance? This, clearly, is a major national need.

Dr. Weber, let me ask you first.

Mr. WEBER. Well, there's no doubt about it that it is a major international need and, particularly, in the sciences and engineering. I think you saw the data that were included in my statement:

55 percent of Ph.D.'s in engineering are foreign nationals; around 35–40 percent in science. We're really exporting a lot of our technological advantage, and universities are not uncomfortable doing this, because we're open institutions and work on the notion of freedom of ideas and the exchange of discoveries. From a national interest, it is a very bad situation. Clearly, the overriding need is for expanded fellowships, because one of the reasons you do not have—we see high-performing students at the undergraduate level—indigenous students in science and engineering go to graduate study is the economics do not work. I mean it is just the reality of it, that they will go out and get a job at $40–$45,000 a year; so, you say "Well, what happens to me when I finish 5 years from now?" "Well, you will get a job at $38–$40,000." So, they impute the foregone income of that to $150,000. Incidentally, this is particularly acute with talented minority students, many of whom come through our engineering school, who have such a powerful appeal in the labor market, that the opportunity cost of going to graduate study becomes very high. So, the importance of providing some sort of supplement on a dollar matching basis with the institution would seem to me would have very high leverage.

The other thing is this whole pipeline notion. You don't get a kid at the time 2 days before graduation when he might be looking at his ticket to Hawaii, and say "Have you thought of going to graduate school?" You really have to identify them when they are sophomores or juniors, and give them the opportunity to engage in research and identification with the role models; so, some support for summer internships, independent research activities of a very modest variety, would have high leverage. Many institutions are doing it now. We sort of beggar ourselves in order to move in that direction.

Senator SIMON. Dr. Cross.

Ms. CROSS. The situation at Chicago State is perhaps even more devastating. My concern is that the loan debt that many of the students incur as undergraduates attending a public institution precludes them from going on to graduate work. This is another compelling reason to look at readjusting the grant/loan mix. Many students graduate with a $10,000 loan debt and, for them, the whole idea of having to borrow to go on to graduate school is just something that does not seem feasible, given the family's financial strength. So, I think it is important to look at models, such as loan forgiveness models, for certain fields.

Also, I would agree the pipeline program is very important. Having the opportunity to begin research, having research opportunities beginning perhaps in even the freshman year. We are becoming involved in a number of pipeline programs with graduate institutions. So, I think there are two very real considerations for us. We have a lot of talented students who are completing CSU with a lot of debt and, to look at loan forgiveness to facilitate participation of minorities in fields where they are underrepresented, and to also look at moneys to support pipeline programs that would begin as early as the freshman year, so that they would be encouraged to go on to graduate school.

Senator SIMON. That's an interesting idea.

Dr. Stukel, since you are here, do you care to add anything; do you have any added thoughts?

Mr. STUKEL. I might just comment briefly.

I think one of the issues that has not been pointed out in terms of the graduate education is that it is very acute in terms of the number of graduates from higher education. The number going on to actually graduate and go into higher education is in decline as well. So, higher education is in a crisis right now in terms of the Ph.D.'s refusing to go into education, into higher education.

At the University of Illinois, the president has implemented a program for minorities, at least, in which, if they make a commitment to go to the graduate program, graduate, and then go into higher education, that the University of Illinois will pick up the cost of the education; and I think these are the kinds of programs that are needed right now, is to have money dedicated to go to individuals who are willing to do the graduate program, and then go into higher education, because we are now below the replacement rate in many of the areas, in the humanities, and I think that's a tragedy in terms of the country.

Senator SIMON. I thank you, and we thank both of you for your testimony.

Ms. CROSS. Thank you very much.

Senator SIMON. Our next panel is composed of James Bromfield, a student at Illinois Institute of Technology; Herschel Wallace, the Community College of Lake County; Sharon Thomas Parrot, from the DeVry Institute; Alicia Reyes, University of Chicago, and Judith Flink, the University of Illinois at Chicago.

While we are getting set up, another former staff member of mine, Mark Angelini, we are pleased to have you here.

So that we can keep our time schedule, I am going to arbitrarily limit everyone to 5 minutes, if I can; and we will enter your full written statements in the record, but I will use this gavel at the end of 5 minutes; all right?

Jim Broomfield, we are—Bromfield. We have some Broomfields in Congress, and so I am inclined to say Broomfield. Jim, we are very happy to have you here, look forward to hearing from you.

STATEMENTS OF JAMES BROMFIELD, STUDENT, ILLINOIS INSTITUTE OF TECHNOLOGY, CHICAGO, IL; HERSCHEL WALLACE, DIRECTOR OF FINANCIAL AID, COMMUNITY COLLEGE OF LAKE COUNTY, GRAYSLAKE, IL; SHARON THOMAS PARROT, VICE PRESIDENT, GOVERNMENTAL RELATIONS, DEVRY, INC., EVANSTON, IL; ALICIA REYES, DIRECTOR OF FINANCIAL AID, UNIVERSITY OF CHICAGO, CHICAGO, IL; AND JUDITH FLINK, DIRECTOR OF FINANCIAL SERVICES, UNIVERSITY OF ILLINOIS, CHICAGO, IL

Mr. BROMFIELD. Thank you.

Senator Simon, members of the panel, thank you for giving me this opportunity to testify today. College financial aid is something that I feel very strongly about.

My name is Jim Bromfield and I am a senior at the Illinois Institute of Technology, majoring in electrical engineering. I went to Bolingbrook High School in the suburbs of Chicago, and did very

well. I graduated 19th out of 423 students, and I was on the honors track, and my grade point average was about a 4.0 on a 4.0 scale.

Without financial aid, I probably would not have been able to afford a 4-year university. My family income is roughly $40,000, and there are 3 children after me. If I had not been able to get financial aid, I probably would have had to get a full-time job and attend a junior college. As it is, I work at least 15 hours a week, plus all summer.

Financial aid has covered more than half of my education, but a good part of that has been loans. When I graduate in May, I will face a prospect of paying back approximately $17,000 in loans. When I started college, tuition was just below $10,000. It has risen about $600 every year since then. For 4 years, the total comes to something of the order of $45,000 without housing, and about $60,000 with housing.

IIT has given me a dean's scholarship for $2,000 a year; and, because of my grades, I was eligible for some financial aid through IIT endowed scholarships. I was an Illinois State Scholar, and that was probably the biggest help. My first 2 years, I also received Federal money from a Pell grant. The first year it was $1,850, but the next year it was decreased to $650. My junior and senior years, I did not receive a Pell.

It was especially scary this year, because the Illinois Student Assistance Commission initially told me that I was not eligible for any money from the State either. I wasn't sure what to do at that point, because there is no way that my parents could help out. Paying for school has been my responsibility, and will continue to be my responsibility after I graduate.

My freshman year, about $4,000 of my financial aid was in a loan. It was about the same for my sophomore year; and my junior year, it jumped to about $5,000. This year, I can only get $4,000 in loans. But, because my housing and tuition expenses increased and my grants and loans did not, I am looking to other loan sources.

I am not the only one who has a problem like this.Two of my fraternity brothers were ready to drop out of school, because they did not have the money to continue. They were good students, and they wanted to get their degrees; but it was strictly an issue of finances.

I know now that I am going to make it, but it has been a headache and something that has been on my mind pretty much constantly. A lot of time and energy has been devoted to worrying about my financial situation. I have worked summer jobs all along, one summer in the kitchen of Home Run Inn, two summers as a day camp counselor, and last summer, because of my course work and experience at IIT, I was able to get a job with General Motors Electro-motive Division. They paid me well, and I thought I had saved quite a bit. I hoped to get enough money so that I would not have to work so much my senior year. I knew I was going to be taking a heavy course load of 20 credit hours in the fall, while 12 is considered full time.

I was hoping that, since it was my senior year, I could devote my spare time to looking for a job and maybe taking it a little bit easier. I thought I would even have enough money to spend on other things, but that did not happen. I used all my savings last

semester for tuition and housing. My financial aid this year was very poor. I didn't have any choice what to spend my savings on.

Since my freshman year, I have also been working during the academic year. I have probably been working on an average of 15 hours a week, but sometimes it gets up to 30 or 40. My freshman job, my first job, was at the Student Union; and, after that, I was a lab assistant in the Computer-Aided Drafting Department. A job opened in the Financial Aid and Admissions office, and I worked there for 2 years; I enjoyed encouraging students to go on with their education. Now, I'm a teacher's assistant for the Freshman Computer Literacy Program at IIT.

Teaching is something that I have wanted to look more seriously into, either at a college or high school level, and I enjoy the feeling that I get when I can relate some of the things that I have learned. I like being able to help someone out and being in a position to encourage them to stretch themselves further than they would have expected to go themselves. But, as far as jobs are concerned, when I graduate, I am going to have to get a job that will enable me to pay back these loans. Once I make enough money, then I will be able to go back and look into teaching. I am interested in graduate school, but I never really considered it a possibility, because of the amount of money I owe right now.

I have had good grades here in college, so I think that I am in a fairly good position to find a job. I probably have more opportunity than most people at this point, but things are still kind of tentatives, and I'm really feeling the pressure of finances.

Things would have been a lot easier if I had had more support. I never expected a free ride, but I have worked very hard; and, when I am going to get out, I am going to face a big debt. I am glad that I was able to manage and that I had people there to encourage me.

I think there should be, or could be a better way to help people like me get their education.

Senator SIMON. What kind of payment are you going to have to make when you get out of college?

Mr. BROMFIELD. Well, I know for my GSL it should be around $160 every month. That is on a 10-year basis. And then there are other loans that I have that I really have not figured out yet.

Senator SIMON. What if you were not able to get a summer job or a job part time while you were in college? And, realistically, some students have a tougher time making it and, even if they could get a job, they have to devote their time to study.

Mr. BROMFIELD. Most likely, what I would have done, over the summers if I could not get a job, at least not something that could support me, I would have been working throughout the school year, and either gone part time or——

Senator SIMON. So, basically, you would have had to drop out as a full-time student?

Mr. BROMFIELD. Yes. I really, realistically, would not have expected for my parents to have been able to contribute.

Senator SIMON. And I think this is far too typical of what millions of American young people face, and not just young people; older people sometimes, and we're getting more and more older students sometimes. It is even more complex for older students.

Herschel Wallace, pleased to have you here from the Community College of Lake County.

Mr. WALLACE. Thank you, Senator Simon. I appreciate the opportunity to speak before the subcommittee on the reauthorization of the Higher Education Act. As you are aware, there are many areas of concerns in the financial aid arena as the reauthorization of the Higher Education Act takes place. As you requested, though, I will limit my comments to the area of packaging and awarding of financial aid.

First, I would like to focus on the awarding aspect of financial aid, as it appears to me that awards need to be considered before the packaging process. Determination of a financial aid award for a students centers on the particular criteria of the award. These criteria not only involve eligibility factors, such as need and enrollment level, area of study, type of funding, i.e., loan, work, grant, but also maximum and minimum award amounts.

As I see it, the reauthorization process should examine the Federal financial aid programs to make certain that the programs are providing awards in amounts that enable needy students to pay educational costs. I think the types of programs have been designed to meet certain financial need levels of the student. There are needy students and, of course, not so needy students. It is kind of hard when you distinguish between the two sometimes, but we should be able to respond to the application of need from all students.

The Pell Grant Program, in particular, should be an entitlement financial aid program. The maximum and minimum award should be increased, so that the program can be used by students to pay more of their rising cost of education. The Pell Grant Program, if utilized in this manner, would greatly assist low-income students, in particular, to avoid having to borrow loans to help pay educational costs; and thus, ultimately, reduce default rates in the student loan programs.

The Campus Based Programs, the Supplemental Educational Opportunity Grant, College Work-Study, and the Perkins loan, I think, work reasonably well, and actually should not be changed. Consideration, however, should be given to increasing the funding, so that larger awards can be made and these programs allow the Financial Aid Office the flexibility in awarding. The Stafford Loan Program, the Supplemental Loan to Student Program, and the Parent Loan to Undergraduate Students have become the foundation, unfortunately, of the financial aid programs, and I believe that this should be changed.

One way to effect this change is to allow the financial aid officer to decide which student should receive this type of award. There really should not be any conditions on the ability to make this decision. If there are adequate funds available in the grant and work programs, there will not be any difficulty in assisting students with these programs, instead of the student loans.

There should be student loan programs available to award to middle-income-and-above students. I believe, in the original intent of the Stafford Loan Program, that targeted the middle-income student as being best able to handle this type of loan program. The Parent Loan to Undergraduate Students and the Supplemental

Loan to Students can complement the Stafford Loan Programs, as well as assist upper income students with funds to help pay college costs.

The criteria of these loan programs should be designed to target only these type of students.

In summary, the awarding of financial aid should change so that the Pell Grant Program becomes an entitlement financial aid program; and the Stafford Loan, Supplement Loan to Student, and Parent Loan to Undergraduate Students Program specified as middle and upper middle-income student programs. The Campus Based Program should remain the same, essentially. All Federal financial aid programs should receive funding to keep pace with the increase in college costs.

The second area of consideration I want to address for the reauthorization of the Higher Education Act is the packaging of financial aid. Because of the high need of most students who apply for financial aid, a combination of financial aid programs is needed to be awarded to students. In addition, the award package usually consists of student loan programs.

At the present time, a financial aid office usually has a packaging policy to ensure the equal distribution of financial aid dollars and programs to students who apply for financial aid. Since each school may have a unique student body, the school will design its packaging policy to take into account the mix of its students and the funding of its financial aid programs. Therefore, I think each school should have the responsibility of creating its own packaging policy. The Federal Government should not legislate how a student should be packaged financial aid.

There is an area of concern I have in the consideration of the packaging of financial aid for the low-income student. With the dependence on student loans, there is an imbalance, as we've spoken to before, between loans and grants for low-income students, with these students taking out more loans than they actually should. The Federal Government can assist financial aid officers with this problem by increasing the funding of grant programs and making the Pell grant an entitlement program. This would reduce the amount of the low-income student's loan and perhaps, hopefully, eliminate them taking out a loan altogether.

In summary, there should not be a change in the concept of packaging policy for college or university. Rather, there should be a change in the emphasis of the Federal Government about the funding of these grant programs. There should be increased funding in the grant programs to allow colleges and universities to shift the balance of loan/grant toward grants for a low-income student, in particular, in its packaging policy.

Again, I want to thank you for this opportunity to testify before the Senate Labor and Human Resources Subcommittee on Education, Arts and Humanities about the reauthorization of the Higher Education Act.

Senator SIMON. I thank you.

Let me ask you this, and I divide this into two groups. Do high school seniors understand the student aid program? And the second question is, do students on your campus understand the student aid program?

Mr. WALLACE. Well, my answer to both of those is no, I don't believe they do. We have, I believe, tried to make a considered effort to communicate more to seniors, and not just to seniors, but to sophomores and juniors of high school age about the financial aid opportunities; and also, on my campus, in our attempt to try and communicate with students about the programs, we increased the amount of counseling of loans that we perform.

Senator SIMON. But it is just far too complicated.

Mr. WALLACE. It's very complicated. Even though we do counsel students as much as we can, when you have a mix of the programs the way that we do have and you have the understanding about, or actually the loan experience that most of our students, at least at the community college, in the low-income area lack, there is that confusion that does take place: "Is it a grant or a loan, or it is—do I really have to repay it?" "When do I have to repay it? Do I have to pay it now versus later?" and "If I have to pay it now, well, I'm scared of a loan; I don't want to take out a loan."

Senator SIMON. It is interesting that, back in the seventies when we simplified the loan program, all of a sudden, we had this massive infusion of people coming in; and about 70 percent of them, we discovered, were eligible before, but the loan program was so complicated they didn't know they were eligible. One of the things I hope we can do is to find a little more simple way of moving ahead.

Senator SIMON. Sharon Thomas Parrot of—is it still DeVry Institute, or are you——

Ms. PARROT. Right.

Senator SIMON. OK. You've not changed then. Frequently, we move from college to university, institute to college, or——

Ms. PARROT. Right.

Senator SIMON. OK, very happy to have you with us.

Ms. PARROT. Thank you.

Good morning, Senator, and thank you for the opportunity to speak on the reauthorization of the Higher Education Act.

I am Sharon Thomas Parrot, vice-president of Governmental Relations for DeVry, Inc., which is a nationwide system of regionally-accredited undergraduate and graduate business and technology institutions funded with private investment capital. We enroll more than 25,000 students in programs at the associate, bachelor's, and master's degree level.

Based on my 20 years in public, eleemosynary, and private capital funded higher education institutions and with the U.S. Department of Education, I offer the following comments:

The United States has no greater opportunity with America's current and future generations than to educate its citizens and train a competitive work force. More than ever, this reauthorization is about investing in the future of this Nation.

I will limit my remarks, as requested, today to Pell grant entitlement and needs analysis. I've provided written testimony, and will provide detailed recommendations to both the Senate and House committees in April.

As originally conceived, the Pell Grant Program was to be the foundation of Federal student aid. In the last 10 years, it has consistently failed to keep pace with college costs and has, therefore, abdicated its role as the floor of a financial aid package. We believe

that there is a need to create a true Pell grant entitlement in order to reduce financial barriers for low and middle-income students, increase minority access, improve student persistence, lower the cost of student loan default, and raise the number of productive taxpaying citizens.

It is impossible to discuss the need for a Pell grant entitlement without recognizing the relationship that the lack of that entitlement has had to student loan default. Defaults do not just happen. The erosion of the grant dollar has helped to create an unhealthy reliance on student loans by the very students who are least able to repay.

Solutions to the default problem that focus on reducing access to student aid, rather than reducing the causes of default, will have catastrophic effects on this Nation. Likewise, solutions that do not harshly and swiftly punish abusers of students and student aid and other Federal programs, regardless of sector, will have a devastating effect on the programs and our students. Our solutions must ensure that quality institutions serving high risk students, which are mostly black colleges, urban colleges, 2-year colleges, and proprietary colleges, are not punished for their effort and their success. Performance-based, not sector-based, rules should be used to ensure accountability and integrity.

It is time to confront the grant/loan imbalance.We believe the mix of grants and loans should be based on two factors, family income and year in school.

With respect to needs analysis, DeVry believes that low-income students should be guaranteed full eligibility and a simple application process. A single needs analysis is needed to reduce the real duplication and the perceived complexity for student consumers and educational institutions. The fact that the two analyses produce different results is reason enough to move to one answer based on a merger of the two.

As a result of the expansion of complicated data elements and the required collection of nonfinancial aid-related information, the form itself has become a barrier to educational opportunity. It is unnecessary for those who will be fully eligible to answer complicated and irrelevant questions. We support an application bypass for both working and nonworking low-income filers, which would guarantee full eligibility for Federal student aid without completing a needlessly detailed application.

To us, simplification does not include the elimination of the home equity asset from needs analysis. While it seems simple, the effect would be to redistribute financial aid from the financially unfortunate to the financially fortunate. Need and eligibility would shift to home-owning middle and upper income families at the expense of the renting poor. We understand the specific problem created for families when home equity is out of line with income and, therefore, support proposals which cap home value at three times income to protect against housing booms that really do not affect or increase a family's ability to pay.

Finally, a Pell grant entitlement and a simple needs analysis system will mean nothing if America's children do not pursue higher education. Young people must be made aware of the opportunity and must be prepared to take advantage of it. The chairman

of Arco Oil has said, "Our elementary schools are filled with minority students, which is the fastest growing segment of our population, who have already decided to drop out of high school. Our mission isn't to hold them; it's to change their minds." In the words of a student, "The one step of going to college was as big for me as going to the moon. Financial aid moved the mountains I could have never moved on my own."

This reauthorization must invest in America's children to ensure America's future.

Senator SIMON. Thank you.

The complications of the form that you refer to—we had a hearing the other day, and we got into the form. My colleague, Senator Pell, was presiding, and he handed me the form, and he said, "I couldn't fill out this form." [Laughter.]

Senator SIMON. Very interesting.

I would be interested—if I may give you an assignment here, I would be interested in you and maybe some of your colleagues here, and maybe some of the people in your association—I see Bill Carson back there—putting together what you think a form ought to be like. I don't know that this is going to have anything in terms of statutory change, but I think this would be of interest.

Ms. PARROT. I'm not trying to get out of any work, but both the College Board and NASFFA have, in cooperation, put together a form that I believe would meet both simplification as well as equity in financial aid.

Senator SIMON. All right. Do we have——

Mr. SHIREMAN. I do not have it here, but we do have it.

Senator SIMON. OK, we do have it. All right. I am just not as informed as I should be.

Ms. PARROT. I was involved in it, so I did not get out of the work; I am just not going to—— [Laughter.]

Senator SIMON. We will take a look at it.

Now, I was interested also in your home equity idea.

Ms. PARROT. Yes.

Senator SIMON. You say that you could take three times the income, so that, if your income was—let us just say it is $15,000 a year, you could have $45,000 in equity.

Ms. PARROT. That would be the cap of equity. Right now, if I might use an example, the current treatment would take home value, which could be in a place, an area of Chicago that got gentrified all of a sudden, but where there were still people whose income would not support——

Senator SIMON. Right.

Ms. PARROT [continuing]. The reported home value. The home value could be $200,000. They could have an outstanding mortgage of $40,000. The home equity that would now be included in needs analysis is $160,000. This proposed treatment would take the family's income, which for example could be $30,000, multiply it times 3—I think Bob is giving it to you.

Senator SIMON. Thank you.

Ms. PARROT [continuing]. Which would give them $90,000; there would be an outstanding mortgage still of $40,000, and the home equity that we would now include in the needs analysis would be $50,000, rather than $160,000.

I think one of the important points, though, to make and why we are opposed to eliminating home equity is that homeowners are typically wealthier than renters. They already get a tax break that a renter doesn't get, and it is clear that the home equity, that changing home equity would result in redistribution of limited funds. If funds weren't limited, we could support a change in home equity.

Senator SIMON. I think you can safely assume that funds are going to be limited.

Ms. PARROT. That's right. [Laughter.]

[The prepared statement of Ms. Parrott follows:]

PREPARED STATEMENT OF MS. PARROTT

Good morning, I am Sharon Thomas Parrott, vice president of Governmental Relations for DeVry, Inc., a nationwide system of institutions of higher education funded with private investment capital.

The nine U.S. DeVry Institutes and the eight campuses of Keller Graduate School of Management enroll more than 25,000 students in programs at the associate, bachelor's and master's degree level. All DeVry and Keller institutions are accredited by the Commission on Institutions of Higher Education of the North Central Association of Colleges and Schools. Our institutions provide high quality career oriented higher education programs in business and technology to a diverse student population. The average family income of students attending DeVry is between $24,000 and $32,000. Forty-one percent of our undergraduate student population is minority.

We are committed to providing highly motivated and qualified graduates to meet the Nation's workforce needs as evidenced by our undergraduate career development, strategies, and placement assistance efforts. In 1990, 93 percent of DeVry Institute graduates who actively pursued employment were placed in education related positions.

In my 20 years in higher education, I have held faculty and administrative positions at public and private colleges and served with the U.S. Department of Education's Student Aid Division in both the regional and Washington offices. Additionally, I have served on the Board of Directors of the National Association of Student Financial Aid Administrators and on various committees of the Midwest Association of Student Financial Aid Administrators and the Illinois Association of Student Financial Aid Administrators.

For the past 9 years at DeVry I have been responsible for all student aid policy and compliance, as well as our relationships with governmental entities. It is from my unique vantage point that I offer the following comments.

The United States has no greater opportunity with America's current and future generations then to educate its citizens and train a competitive workforce. This first higher education reauthorization of the 1990's is about investing in the future of this Nation. The presence of student financial aid has encouraged many American children, who would have otherwise been unable, to earn a higher education. In the words of a student, "The one step of going to college was as big for me as going to the moon, financial aid moved the mountains I never could have moved on my own."

America's students deserve student aid programs and a student aid delivery system that provides them with access to the quality institutions of their choice regardless of tax structure. We must also protect students from those who would abuse or misuse them or Federal dollars through the development of performance based (not sector based) rules and regulations.

U.S. students are the beneficiaries of Federal student financial aid funds. Federal student aid should be used to support qualified students enrolled in quality educational programs at the varied mix of higher education institutions in this country without regard to the public, eleemosynary, or private investment capital sources of funding of the institution.

Equal treatment of students pursuing post-secondary education must be a fait accompli. No student should have less access or less choice based on his/her choice of an authorized, accredited and eligible institution of higher education.

For this reason, DeVry does not support any attempt to establish separate laws or regulations based on institutional sector.

I am pleased to have the opportunity to speak this morning on the important topics of Pell grant entitlement and needs analysis.

Pell Grant Entitlement

As originally conceived, the Pell grant program was to be the foundation of the Federal student aid programs. In the past 10 years, the program has consistently failed to keep pace with the cost of higher education and therefore has abdicated its role as the floor of a financial aid package.

It seems clear that particularly for low-income students, certainty and predictability are very important to their enrollment decisions. Yet, the Pell grant program as it is currently authorized and appropriated provides for neither.

We believe that there is a need to create a true Pell grant entitlement at least for the first 2 years of study in order to reduce financial barriers for low and middle-income students, increase minority access, improve student persistence, lower the cost of student loan default, and raise the number of productive taxpaying citizens.

The value of the Pell grant has eroded to a point where it can no longer achieve the goal of access as initially intended. It is impossible to discuss the need for a Pell grant entitlement without also looking at the relationship of the lack of that entitlement to the student loan default problem.

Student loan defaults didn't just happen. The wrong students are increasingly borrowing too much money. Loans re-introduce financial barriers and risk for the truly needy. The erosion of the grant dollar has helped to create an unnatural reliance on student loans by students who are least able to repay. "Black colleges, 2-year colleges and proprietary colleges take students who come out of our urban high schools and rural communities without the best preparation," said Dr. Robert Albright, chairman of the American Council on Education. "One can tell by looking at the admissions data that mainstream institutions are not willing to take chances on these kids. I think that it is irresponsible for the Congress to hold institutions accountable for loans that we don't make. I think that the Nation must be concerned about defaults, but I don't think that the way to do it is to be punishing the colleges that are taking chances on kids that some don't think can make a contribution to society." I might add that DeVry's systemwide default rate is under 12 percent. The issue is not one of supporting schools that are abusing the student aid programs, rather it is to ensure that quality institutions which serve high potential high risk students are not punished for their effort and their success.

Solutions to the default issue that focus on reducing access to student aid rather than reducing the causes of default, will have catastrophic effects on this Nation. Our self interest, our national security, our ability to compete in the world market place will require that many of our underprepared students receive a quality education. Most of them will require financial assistance.

Solutions that do not harshly and swiftly punish abusers of students and the student financial aid programs, regardless of sector, will have a devastating effect on the programs and on America's students.

It is now time to confront the growing problem of the grant/loan imbalance. We believe that this mix of grants and loans should be based on two factors—family income and year in school. Put simply, lower-income students in their first and second year should receive higher grant packages, while loans should become a greater portion of the package as the student persists. Correcting the imbalance between grants and loans must be a priority of this reauthorization.

Simplification of the Needs Analysis to Ensure Fair and Equitable Distribution of Title IV Finds to Needy Students

DeVry believes that low-income students should be guaranteed full—eligibility and a simple application process. However, attempting to further simplify the needs analysis formulas for the majority of the student population who may have more intricate financial circumstances, could result in an inadvertent unintended and highly objectionable redistribution of limited financial aid funds.

We have chosen to focus on three areas of needs analysis, which we believe have direct and significant impact on student access.

(1) *Single Needs Analysis*—It appears clear to those involved in student financial assistance that the two current systems of needs analysis used to determine eligibility for Federal funds result in duplication and perceived complexity for student consumers and institutions of higher education. It is our belief that use of a single needs analysis would restore public confidence, decrease award errors, increase award equity, and reduce administration burden. The fact that the two analysis produce different results is reason enough to move to one answer. While both current systems have merit, it is probably best if the surviving system were based on a merger of the two.

DeVry supports the enactment of a single needs analysis for determination of the student eligibility for all title IV programs as proposed in NASFAA's Plan for Reform.

(2) *Automatic Eligibility for Low-Income Filers*—The student financial aid programs are described as the Federal vehicle to support students access and choice. However, as a result of the expansion of complicated data elements in need determination and the required collection of non-financial aid related data, the form itself has become a barrier to educational opportunity, particularly for low-income and minority students.

The current simplified needs test still requires that the lowest-income filers complete at least 32 questions. It is both difficult and confusing, not to mention unnecessary for those who most assuredly meet full eligibility. The idea of an application bypass for both working and not working low-income filers would guarantee full eligibility for Federal aid without the student having to complete an needlessly involved application and without undergoing an unnecessarily detailed eligibility determination.

Therefore, DeVry supports automatic eligibility for low-income filers based on an application bypass for all AFDC recipients and dependent filers with parent taxable income of $20,000 or less, provided the parents do not file an IRS 1040 as proposed by the College Board.

(3) *Assessment of Home Equity*—There has been a great deal of controversy surrounding the use of the home equity asset in needs analysis. While elimination of the home equity asset has the advantage of simplicity, its removal from needs analysis will have the effect of redistributing financial aid from the financially unfortunate to the financially fortunate. Consider:

1. Homeowners are protected from rising housing costs.
2. Homeowners are generally wealthier than renters.
3. Homeowners receive favorable tax treatment.

We believe that financial aid need and eligibility would shift to middle and upper income families at the expense of the poor. Stated another way, it will transfer student financial aid dollars from poor non-home owning minority students to wealthier home owning majority students. The following census data is relevant to the point:

> The average income of households that owned their own homes was $31,903 in 1987, while the average income of renter households was $17,474.
>
> Ninety-one percent of all owner occupied housing units are occupied by white households.
>
> The home ownership rate among white households is 56 percent higher than the home ownership among black households.

(Source: The Department of Commerce Bureau of the Census Statistical Abstract of the United States, 1989.)

We understand the specific problem created for families when home equity is out of line with income and believe that some relief should be given only to families who find themselves in this situation.

Therefore, DeVry supports the College Board and NASFAA Plan for Reform proposals which cap home value at three times income to protect aid applicants and their families against housing booms that really don't increase their ability to pay. This proposal does not complicate the application form as the central system would compute the equity based on the lower of reported home value minus mortgage or the total income minus the mortgage. Example:

Current Treatment	
Reported Home Value	$200,000
Outstanding Mortgage	$-40,000
Home Equity Included in Needs Analysis	$160,000
Proposed Treatment	
Total Family Income	$ 30,000
	x 3
	$90,000
Outstanding Mortgage	-40,000
Home Equity Included in Needs Analysis	$ 50,000

We believe that these three changes in needs analysis would result in a simple needs analysis system which would ensure a fair and equitable delivery of Federal student aid funds.

Finally

A Pell grant entitlement and a simple needs analysis system will mean nothing if America's children do not pursue higher education. Young people must be made aware of the opportunity and must be prepared to take advantage of it. In the words of Lodwrick Cook, chairman and CEO of Arco Oil Company—"Our elementary schools are filled with minority students (the fastest growing segment of our population) who have already decided to drop out of high school. Our mission isn't to hold them captive. It's to change their minds."

With this reauthorization we must invest in America's children to ensure America's future.

Thank you for this opportunity to testify and provide comment. DeVry will provide detailed reauthorization proposals on:

(1) Maintenance of access, choice, and equal educational opportunity.
(2) Restoration of institutional accountability and integrity.
(3) Simplification of the student aid delivery system to ensure fair and equitable distribution of title IV funds to needy students.

Senator SIMON. Alicia Reyes, we are very happy to have you here.

Ms. REYES. Thank you. Good morning.

Senator SIMON. She is from The University of Chicago.

Ms. REYES. We believe the fundamental purpose of financial aid programs should be to provide access and choice to needy students. The experience of the last few years has not been a positive one. Many efforts have been made to reduce funding for Federal financial aid programs, and some have succeeded. It has been a serious deterioration in the buying power of the financial aid dollar. There is a great deal of complexity in the financial aid process, and the aid delivery system is cumbersome. Students' access to a higher education has become more limited; and, for many, there is no question of choice, because there isn't any.

We hope the Congress will use reauthorization as an opportunity to create a system which provides better access and more choice than the current one. We should continue to support the notion that financial aid funds must be targeted to the neediest students and, at the same time, we should be firmly committed to the principle that the financing of a higher education is primarily a family responsibility, except for those who are unable to pay.

Today I want to mention in examples some of the most pressing problems and issues that are barriers to access and choice and, in addition, some inequities which are built into the current system. I ask you to examine these as you prepare for reauthorization of the Higher Education Act. We also have comments about a new student loan program which has been proposed.

The entire aid application and aid delivery system is in need of a serious, thorough review. One of the goals of the examination should be to simplify it. We need a system that is more understandable to the aid applicant and to his parents than the current one, a system that is more predictable, where funding is assured from 1 year to another; in short, one that inspires confidence. However, in our efforts to simplify, we should be careful not to eliminate data which, by their absence, will mask some real differences between the low-income family and one with higher income. A helpful approach would be to design an application form that would easily

allow a very low-income family to disregard all but a few questions, but require a higher-income family to provide more complete information.

Now, I want to move to the area of needs analysis, where you have asked for specific comments.

An idea which deserves consideration is a single needs analysis system to determine eligibility for all Federal aid programs. As you can appreciate, it is very difficult to explain to a student that he is ineligible for a Pell Grant Program, but eligible for SEOG or Perkins loan funds. Both applications use income information directly from completed tax returns, but each results in a different estimated family contribution. This difference may make a student ineligible for one program, but not for others.

In designing a single needs analysis system, the goal should be to measure need as accurately as possible, but we should not use the needs analysis system as a mechanism for allocating scarce resources. The rationing of funds should be done at the awarding level.

There are a number of areas of needs analysis that require changes:

First, we should provide automatic eligibility for low-income applicants, such as those who are recipients of public assistance. One of our students completed the financial aid form twice this year, and both applications were rejected due to errors. This low-income student from the south side of Chicago is continually overwhelmed by an application process which is geared toward higher-income families and does not provide easy access for someone in her situation, a family income of less than $10,000 and no assets whatsoever.

Second, the rules that define independent or self-supporting students should be changed. Currently, a student may be classified as independent if his parents do not claim him as a dependent for 2 years preceding post-secondary school enrollment and if he has $4,000 in resources. An increasing number of parents are benefiting from a loophole by opting not to claim a dependent child during the 2 years before high school graduation. Since many high school students are able to earn the $4,000 per year required and the definition allows them to use gifts from relatives other than their parents to meet the resource test of self-sufficiency, there is an increasing number of high school students who file as independent students. Some of these are from families who can afford to pay for their education, but who choose not to do so.

We believe that only a few undergraduate students should be given the option of declaring themselves self-supporting before they are at least 23 years of age. The exceptions should be veterans, wards of the court, orphans, students who have dependents other than a spouse, and those a financial aid officer, using professional judgment, determines are truly self-supporting. On the other hand, we believe that graduate and professional students should automatically be considered self-supporting.

In my written testimony, I have talked about needs analysis for married students; I have talked about the standard maintenance allowance, and also about the issue of home equity. However, I will now go to the direct loan program.

We want to seek your attention to a proposed direct loan program. We have seen a proposal for a program that would make the Stafford loan a direct lending one. While we are not certain that we would support such a program, we certainly believe that it is worthy of consideration. At face value, it appears to be advantageous for a number of reasons: It reduces the complexity of the current loan application process; it has a potential for reducing some of the costs of the program, and, while the loan would remain an entitlement program, the institution would be able to control access to funds more easily and directly than is currently the case. I have included in my written testimony a chart that points out all the steps that have to be followed in applying for a Stafford loan.

I appreciate the opportunity to share our views with you. Despite the thorny nature of the problems of the student aid program, some tenacious students overcome the difficulties and gain access to the college of their choice. We have a student from California whose parents' sole source of support is disability insurance. Because of their low income, the student has received Pell grant, SEOG, and Perkins loan funds, in addition to university gift assistance. He has been able to attend an out-of-state private university and has been a university-wide leader on campus. Financial aid has provided access and choice for him. Unfortunately, this success story is not necessarily the norm.

Thank you.

[The prepared statement of Ms. Reyes (with an attachment) follows:]

TESTIMONY OF ALICIA REYES
DIRECTOR OF FINANCIAL AID
THE UNIVERSITY OF CHICAGO
before the
SENATE LABOR AND HUMAN RESOURCES COMMITTEE
SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES
March 27, 1991

We believe the fundamental purpose of financial aid programs should be to provide access and choice to needy students. The experience of the last few years has not been a positive one. Many efforts have been made to reduce funding for federal financial aid programs, and some have succeeded; there has been a serious deterioration in the buying power of the financial aid dollar; there is a great deal of complexity in the financial aid process, and the aid delivery system is cumbersome. Students' access to higher education has become more limited, and, for many, there is no question of choice because there isn't any. Every financial aid officer has stories about students who have declined to apply to our institutions because they are frightened by the financial aid application process or because they believe that funds are not available, even when our institutions are providing funds from their own coffers. In the case of The University of Chicago, such aid is more than five times that of total federal and state grant aid. It is indeed shameful that some excellent but financially needy students are missing the opportunity to pursue quality higher education and to become the leaders of tomorrow.

We hope the Congress will use reauthorization as an opportunity to create a system which provides better access and more choice than the current one.

We should continue to support the notion that financial aid funds must be targeted to the neediest students, and at the same time, we should be firmly committed to the principle that the financing of a higher education is primarily a family responsibility except for those who are unable to pay.

Today I want to mention examples of some of the most pressing problems and issues that are barriers to access and choice and, in addition, some inequities which are built into the current system and ask you to examine these as you prepare for the reauthorization of the Higher Education Act. We also have comments about a new student loan program which has been proposed.

A. Aid application

The entire aid application and aid delivery system is in need of a serious, thorough review. One of the goals of the examination should be to simplify it. We need a system that is more understandable to the aid applicant and to his parents than the current one, a system that is more predictable, where funding is assured from one year to another: in short, one that inspires confidence. However, in our efforts to simplify we should be careful not to eliminate data which, by their absence, will mask some real differences between the low income family and one with a higher income.

A helpful approach would be to design an application form that would easily allow a very low income family to disregard all but a few questions but require a higher income family to provide more complete information.

B. Need Analysis

I now want to move to the area of need analysis where you have asked for our specific comments.

An idea which deserves consideration is a single need analysis system to determine eligibility for <u>all</u> federal aid programs. As you can appreciate, it is very difficult to explain to a student that he is ineligible for the Pell Grant program but eligible for SEOG or Perkins Loan funds. Both applications use income

information directly from completed tax returns, but each results in a different estimated family contribution. This difference may make a student ineligible for one program but not for others.

In designing a single need analysis system, the goal should be to measure need as accurately as possible but we should not use the need analysis system as a mechanism for allocating scarce dollars. The rationing of funds should be done at the award level.

There are a number of areas in need analysis that require changes. We want to mention five that are particularly important.

1. First, we should provide automatic eligibility for low income applicants such as those who are recipients of public assistance. How often do we encounter AFDC families who go through the agonizing process of completing the application only to find that almost every question does not apply to them?

One of our students completed the Financial Aid Form (FAF) twice this year and both applications were rejected due to errors. This low income student from the South Side of Chicago is continually overwhelmed by an application process which is geared toward higher income families and does not provide easy access for someone in her situation -- a family income of less than $10,000 and no assets whatsoever.

2. Second, the rules that define independent or self-supporting students should be changed. Currently a student may be classified as independent if his parents do not claim him as a dependent for two years preceding post secondary school enrollment and if he has $4,000 in resources. It is difficult to explain the qualifications of independent student status in a way that most students and their parents can understand. However, an increasing number of parents who do understand the definition are

benefitting from a loophole by opting not to claim a dependent child during the two years before high school graduation. Since many high school students are able to earn the $4,000 per year required and the definition allows them to use gifts from relatives (other than their parents) to meet the resource test of self sufficiency, there is an increasing number of high school students who file as independent students. Some of these students are from families who can afford to pay for their education expenses but who choose not to do so.

We believe that only a few undergraduate students should be given the option of declaring themselves independent before they are at least 23 years of age. The exceptions should be veterans, wards of the court, orphans, students who have dependents other than a spouse and those a financial aid officer, using professional judgment, determines are truly self-supporting. On the other hand, we believe that graduate and professional students should automatically be considered self-supporting.

3. Third, the rules for need analysis for married students need revision. One of the underlying assumptions of need analysis is that students without dependents have a greater ability to contribute toward education expenses than students who have dependents. However, currently the married student who has no children will be eligible for more than his fair share of financial aid. In essence this student is treated almost as leniently as the parent of a dependent student. This inequity means the single independent student with no children is required to contribute much more of his resources to qualify for aid than the married independent student without children. Surely this is not a fair basis for determining eligibility for aid.

We recommend that all students (married or single) who do not have children be treated in a similar way: the same minimum contribution for education, the same income assessment rates, and a standard monthly maintenance allowance for those months during

which the students are not enrolled.

4. The fourth area of need analysis which causes a great deal of confusion and concern among families is the Standard Maintenance Allowance (SMA). The SMA is the amount deducted from the applicant's family income that is presumed to enable a family to maintain its current standard of living, given the family size and the number of children in college. For a family of four, with one child in college it is currently $14,930.00. A family of four, with $1,000 a month in rent and child care costs, clearly spends much more than the SMA on food, clothing and other essentials.

The data about family expenditure patterns on which the SMA is based are from the 1967 Bureau of Labor Statistics lower budget expenditure for an urban family of four. While the SMA is adjusted annually to reflect changes in the Consumer Price Index (CPI), the data on which the SMA is based are about a quarter of a century old and the budget standard does not reflect current products and services.

We support a recommendation proposed by a committee of the College Board to replace the current budget standard with a norm derived from the annual Department of Labor Consumer Expenditure Survey in order to reflect more accurately families' current spending patterns.

5. Finally, there has been a great deal of discussion about the importance and relevance of home equity in the determination of a family's need for financial aid. Proposals range from totally disregarding home equity to adjusting home equity to some value related to the family's income. We strongly disagree with the notion of disregarding the home equity; to do so will redistribute aid from the more needy to the less needy. This is true because homeowners are protected from rising housing costs; they tend to be wealthier than non-homeowners, and are treated

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favorably by the current tax system.

However, in areas where real estate values have increased home equity may be out of line with family income. For example, a middle class family may have substantial home equity but will be unable to borrow against it to pay for college because their income is insufficient to cover additional home mortgage costs. We hope you will consider changes to the current system that would treat the homeowner whose property values have escalated dramatically in a more favorable way.

C. Direct Loan Program

Finally, we want to seek your attention to a proposed direct loan program. We have seen a proposal for a program that would make the Stafford Loan program a direct lending one. While we are not certain that we would support such a program, we certainly believe that it is worthy of consideration. At face value it appears to be advantageous for a number of reasons: it reduces the complexity of the current loan application process, it has the potential for reducing some of the costs of the program, and while the loan would remain an entitlement program, the institution would be able to control access to funds more easily and directly than is currently the case.

I appreciate the opportunity to share our views with you. Despite the thorny nature of the problems with the student aid program, some tenacious students overcome the difficulties and gain <u>access</u> to the college of their <u>choice</u>. We have a student from California whose parents' sole source of support is disability insurance. Because of their low income, the student has received a Pell Grant, SEOG and Perkins Loans, in addition to University gift assistance. He has been able to attend an out-of-state private institution and has been a University-wide leader on campus. Financial aid has provided access <u>and</u> choice for him. Unfortunately, this success story is not the norm.

STEPS IN AN APPLICATION FOR FINANCIAL AID

1. Student files a financial aid form with one of several processors. (College Scholarship Service, ACT, CSX, etc.)

2. University receives a need analysis document from the processor, or the student. (The processor will deliver the document to the university if the student pays a fee for this service.)

3. University determines whether student is eligible for the Pell Grant and for the Stafford Loan; determines if verification is required, and reviews information in the file to determine if additional information is needed from the student to complete verification; institution requests verification documents from the student and may put file on hold until this process is completed.

4. University notifies student of his/her eligibility for both programs (some institutions will not send notice of eligibility until verification process is complete; others will notify the student of eligibility but will not process the loan application; others will process the loan application but put a hold in their system to prevent disbursement of funds until verification has been completed; others will process loan application and make the first disbursement while they wait for verification to become complete).

5. Student decides who his lender will be; some universities provide lists of preferred lenders to their students but will accept applications from others; depending on the state of residence, the student either submits a loan application and any other documents the university requires with the amount he wishes to borrow indicated on the application, or he notifies the university in writing that he wants the loan; the application may or may not be a combined application/promissory note.

6. University completes school section of the loan application and transmits information electronically or via mail to the bank and guarantee agency. For those who transmit electronically it is often necessary to mail the application also, if it is of the combined application/promissory note type.

7. Guarantee agency searches database for defaults, status of previous loans, aggregate amounts, then produces promissory note and/or guarantee.

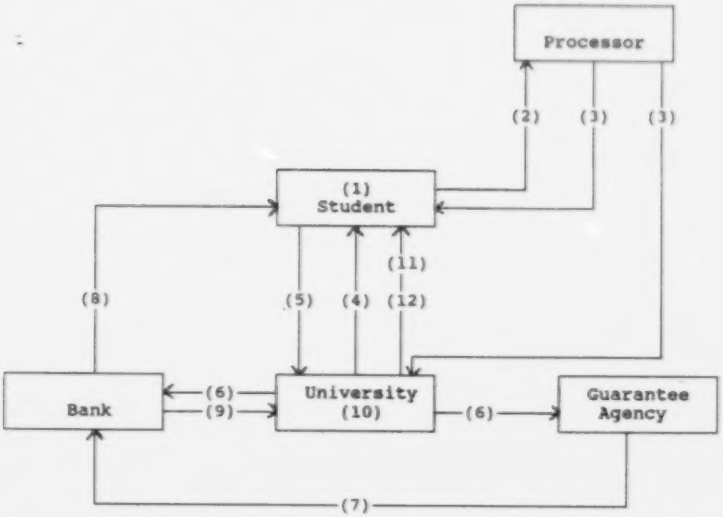
8. Bank sends promissory note to student (unless student signed a promissory note which was part of the application).

9. Bank sends check to university.

10. University holds check 30 days from the beginning of the enrollment period before it disburses the check if the borrower is a first-year first-time undergraduate student borrower.

11. University checks enrollment status of student, and if current, disburses check and counsels student about the responsibility of borrowing.

12. Each quarter or each half year, depending on the bank's distribution system, additional checks are disbursed.



STEPS IN AN APPLICATION FOR FINANCIAL AID

Senator SIMON. I thank you.

If I could ask either Sharon Parrot or Herschel Wallace, the idea of having the direct loan from the institution, at an institution, frankly, like the University of Chicago, which is a very large one, this may work, or the University of Illinois or Northwestern. I am concerned about smaller institutions. Any reaction from either of you?

Mr. WALLACE. Well, I hesitate when I hear that being spoken of, because of the type of support that is needed to make sure that the program is a success; and I try to look at what particular needs my student have. In my particular situation, I do not feel that my students would benefit that greatly from that type of program, as well as my institution being able to support that type of program.

Ms. PARROTT. I guess I come at this from two perspectives. One is that I think that the current loan program, even with its flaws, allows for a partnership in education with the business community through the banks. That would be lost, and I think that that is a positive attribute of the Guaranteed Student Loan Program. On the other hand, I look at our Perkins Loan Program and our GSL default rates, for example, with some lenders and guaranty agencies versus others, and our program that we collect on, we have a much lower default rate overall.

So, I think that I would agree with Alicia that it is something that should be looked into. I think we need to be very cautious as to what kinds of burdens it will put on institutions and, mostly, those institutions that are not recipients of large endowments or cannot gear up staff or public institutions to administer it. I would be very concerned, quite frankly, if it were to be administered through the Federal government. [Laughter.]

Ms. PARROTT. I say that as an ex-employee.

Senator SIMON. I understand. [Laughter.]

When you say in your statement, Miss Reyes, the rationing of funds should be done at the award level, you mean precisely what?

Ms. REYES. I mean that, currently, in need analysis, we have built in certain devices that ration funds; for example, the standard maintenance allowance, which to the public at large means that this is what it takes to live on; but, in essence, it is not at all; it doesn't address that need. So, rather, I think that need analysis should measure true need in a way that we have all agreed that this is the way we should measure need. But we all recognize that funds are limited and that they will be rationed; so, we do that when we determine if someone should get a $2,300 or a $1,550 Pell grant.

Senator SIMON. And then, you have one statement in here that sounds good in theory I agree with, but we run into all kinds of practical problems, and I am sure all of you do. You say "The financing of higher education is primarily a family responsibility, except for those who are unable to pay." We run into this, and I would be interested in your reaction, of any of you. We had someone testifying in Washington just the other day, a student whose parents are separated, whose father is the chief breadwinner in the family; but, because the student chose to live with the mother rather than the father, the father refuses to provide any funds.

Yet, because of family income and because we assume that family has a responsibility, that student is denied assistance.

How do we deal with this kind of a situation? And it is much more common in our society today than we would like to believe.

Ms. REYES. Well, if we are talking strictly about Federal assistance, in that situation, the student's eligibility would be determined based on custodial parent information; but there is currently a mechanism of professional judgment, where we, as financial aid officers, would examine that family situation and perhaps make adjustments, so that that student could qualify for aid, if it appears that his——

Senator SIMON. And so, you would make a Perkins loan or something else to provide?

Ms. REYES. Right, yes. I mean there are mechanisms currently in place to take care of that special circumstance.

Senator SIMON. All right.

Judith Flink of the University of Illinois here in Chicago. My staff tells me you have been very, very helpful here, you and your colleagues at the university, in setting up this hearing, and we are grateful to you for that.

Ms. FLINK. Thank you.

Senator Simon, it is an honor to appear before you today to present testimony regarding the reauthorization of the Higher Education Act.

The University of Illinois at Chicago's student body represents the ethnic and cultural diversity of the city of Chicago. Among these students are many for whom a university education is not a longstanding family tradition and who must surmount economic, social, and educational barriers to achieve academic success.

The Perkins Loan Program is important in breaking the economic barriers to higher education. It promotes access to education by providing low cost educational loans to students. Nationally, approximately 83 percent undergraduate dependent Perkins loan borrowers come from families with incomes of $30,000, or below, and approximately 25 percent of those borrowers come from families with incomes below $18,000. Of the 25,000 students at the University of Illinois at Chicago, 60 percent receive some form of Federal financial assistance. Since the inception of the Perkins Loan Program at this university, approximately 15,000 students have borrowed over $23 million.

The University of Illinois at Chicago is proud of how it has administered this campus based program. While the national Perkins loan default rate is approximately 8.02 percent, the University of Illinois at Chicago's Perkins loan default rate is 3.82 percent. We have taken a preventative and educational approach to lower student loan default by implementing mandatory financial planning and debt management sessions for all student borrowers. We have an interactive computer software package that provides detailed information on the various student loan programs and calculates in-school and postgraduate budgets. Student reaction to the program has been extremely positive, and a number of schools around the Nation have plans to pattern a program after ours.

We commend Congress for enacting the student assistance programs under the Higher Education Act. The future of our Nation is

dependent on continued access to higher education for all citizens. The student assistance programs have been successful in providing this access, and must continue to do so.

As Congress embarks on the reauthorization of the Higher Education Act, we must now begin to consider ways to fine tune these programs. The act was designed to provide access to education. To attain this goal, the Federal loan programs must be cost efficient and uncomplicated for the Federal government and higher education institutions to administer as well as both being accessible and comprehensible for the student.

To achieve this goal, we would like to propose the following administrative changes: Increasing the Perkins loan limits, establishing a national revolving fund for all appropriated Perkins loan funds, reporting Perkins loans to national credit bureaus within the period for which the loan is made, and simplifying Perkins loan deferments. I'll now elaborate on these proposals.

Under the Perkins Loan Program, institutions can assign Perkins loans for collections by the U.S. Department of Education. Any moneys collected remain in the Treasury. Between 1985 and 1990, over $420 million collected through assignments, excess cash, and fines from audit findings were returned to the Treasury. Instead of the money going to the Treasury, the money should be placed in a national revolving fund to be used for the Perkins Loan Program. This would increase the annual lending power of the program by approximately 8 percent.

Currently, Perkins loans delinquent for 120 days are reported to credit bureaus. Reporting to credit bureaus should occur the same year the loan is disbursed to prevent students from assuming excessive and unmanageable debt. Debt becomes excessive and unmanageable when student loans are not considered by creditors before new debt, such as credit cards, car loans, and mortgages are allowed to be assumed. Creditors do not get an accurate picture of debt levels when a potential $27,000 in debt from Perkins loans is unreported. Credit bureau reporting can be an advantage to the borrower in establishing a positive credit history. Reporting of Perkins loans to credit bureaus should be consistent with that of the Stafford program, which requires that all loans be reported to a national credit bureau by the institution no later than the period of study or the end of the award year for which the loan was made.

The Perkins Loan Program provides loans to lower income students at low interest rates. The program limits borrowing to $9,000 for a bachelor's degree and $18,000 for a graduate degree. These loan limits do not meet the average cost of tuition, which currently at a public 4-year university is over $4,000 and a private 4-year is over $10,000. Students are forced to borrow from multiple programs at different interest rates, and we feel this increases the potential for default. The cumulative borrowing limit should be increased to $15,000 for undergraduate borrowers and $25,000 for professional school borrowers.

The last point is the Perkins Loan Program allows for eleven types of deferments. The number of the deferments are a burden for both administrators and especially for a student. By having two deferments, the administration of the program will be simplified; the student's understanding of rights and responsibilities will in-

crease, and technical delinquency and technical defaults will decrease.

Thank you for this opportunity to testify.

[The prepared statement of Ms. Flink (with an attachment) follows:]

PREPARED STATEMENT OF JUDITH NEMEROVSKI FLINK

My name is Judith Flink. I am the Director of Financial Services at the University of Illinois at Chicago and Vice President of the Coalition of Higher Education Assistance Organizations. It is an honor to appear before you today to present testimony regarding the Reauthorization of the Higher Education Act.

The University of Illinois at Chicago student body represents the ethnic and cultural diversity of the Chicago metropolitan area. "Among these students are many for whom a university education is not a long-standing family tradition and who must surmount economic, social, and educational barriers to achieve academic success." (UIC Mission Statement 1/15/87)

The Perkins Loan program is important in breaking the economic barriers to higher education. It promotes access to education by providing low cost educational loans to students. Nationally, approximately 83 percent of undergraduate dependent Perkins Loan borrowers come from families with incomes of $30,000 or below. Approximately 25 percent of these borrowers come from families with incomes below $18,000.

Of the 24,500 students at the University of Illinois at Chicago, 60 per cent receive some form of federal financial assistance. Since the inception of the Perkins Loan Program at the University approximately 15,000 students have borrowed over $23 million.

The University of Illinois at Chicago is proud of how it has administered this campus based program. The national Perkins Loan default rate, as calculated by the Department of Education, is approximately 8.02 percent. The University of Illinois at Chicago's Perkins Loan default rate is 3.82 percent.

We have taken a preventive and educational approach to lower student loan default by implementing mandatory financial planning and debt management sessions for all student borrowers.

We have an interactive computer software package that provides detailed information on the various student loan programs and calculates in-school and post-graduate budgets. Student reaction to the program is extremely positive. A number of schools around the nation have made plans to implement our program.

We commend Congress for enacting the student assistance programs under the Higher Education Act. The future of our nation is dependent on continued access to higher education for all citizens. The student assistance programs have been successful in providing this access and must continue to do so.

As Congress embarks on the reauthorization of the Higher Education Act we must consider ways to fine tune these programs. The act was designed to provide access to education. To attain this goal the federal loan programs must be cost efficient and uncomplicated for the federal government and higher education institutions to

administer, as well as being both accessible and comprehensible for students. To achieve this goal we propose the following administrative changes:

1) increasing Perkins loan limits;
2) establishing a National Revolving Fund for all appropriated Perkins Loan funds;
3) reporting Perkins loans to national credit bureaus within the period for which the loan was made; and
4) simplifying Perkins Loan deferments.

I will now elaborate on these proposals.

National Revolving Fund

Under the Perkins Loan program institutions can assign Perkins Loans for collection by the United States Department of Education. Any monies collected remain in the Treasury. Between 1985 and 1990 over $420 million collected through assignments, excess cash refunds, and fines from audit findings were returned to the Treasury.

Instead of the money going to the Treasury, the money should be placed in a National Revolving Fund used to fund the Perkins Loan Program. This would increase the annual lending power of the program by approximately 8 per cent.

Credit Bureau Reporting

Currently, Perkins Loans delinquent for 120 days are reported to credit bureaus. Reporting to credit bureaus should occur the same year the loan is disbursed to prevent students from assuming excessive and unmanageable debt. Debt becomes excessive and unmanageable when student loans are not considered by creditors before new debt such as credit cards, car loans, and mortgages are allowed to be assumed. Creditors do not get an accurate picture of debt levels when a potential $27,000 in debt from Perkins Loans is unreported. Credit bureau reporting can be an advantage to the borrower in establishing a positive credit history.

The reporting of Perkins Loans to credit bureaus should be consistent with the Stafford Loan program which requires that all loans be reported to the national credit bureaus by the institution no later than the period of study or the end of the award year for which the loan was made.

Increasing Perkins Loan Limits

The Perkins Loan Program provides loans to lower income students at low interest rates. The program limits borrowing to $9,000 for a bachelor's degree and $18,000 for a graduate degree.

These limits do not meet the average cost of tuition, which at a public four year university is over $4,000 and at a private four year university is over $10,000. Students are forced to borrow from multiple programs at higher interest rates, increasing the potential for default.

The cumulative borrowing limit should be increased to $15,000 for an undergraduate borrower and $25,000 for professional school borrowers.

Simplify Perkins Deferments

Currently, the Perkins Loan program allows for 11 types of deferments. The number of deferments are a burden for both administrators and students.

By having two deferments the administration of the program will be simplified, the students understanding of right's and responsibilities will increase, and technical delinquency and technical defaults will decrease.

Thank you for this opportunity to testify. I would be happy to answer any questions.

SUMMARY OF COHEAO REAUTHORIZATION RECOMMENDATIONS

COHEAO supports the expansion of the Perkins Loan Program as a low-cost borrowing option for eligible students. COHEAO believes that grant assistance is the financial aid of choice for low income students and supports efforts to increase funding for Pell Grants, the SEOG program, the SSIG program and College Work Study.

Specific amendments to Title IV proposed by COHEAO include:

1. COHEAO recommends simplification of Perkins Loan deferments to conform with the GSL program. In both instances COHEAO recommends limiting deferments to two categories: in-school periods and forbearance.

2. COHEAO recommends that any appropriated Perkins Loan funds currently required to be returned to the Treasury, instead be place in a National Revolving Fund and reallocated to institutions.

3. COHEAO recommends that the Department be permitted to capture unexpended Perkins loans funds which an institution has failed to award to eligible students within two years after the funds were received by the institution.

4. Institutions should be permitted to compromise on defaulted Perkins Loans to encourage borrower repayment.

5. Institutions should report Perkins loans to national credit bureaus within the period for which the loan was made. In general, COHEAO supports uniformity of practice regarding credit bureau reporting practices for Perkins and Guaranteed Student Loans.

6. COHEAO recommends that the requirement that collection agencies, loan servicers, and collection attorneys place monies collected on behalf of schools in interest-bearing accounts be deleted from current regulations. The appropriate time for funds to be place in interest bearing accounts is when the funds are returned to the institution.

7. Sec. 488 of the Higher Education Act should be revised to include Perkins Funds as eligible for transfer among campus-based accounts, and the percentage of funds transferable should be increased to 25 percent.

8. Perkins loan limits should be increased to an annual undergraduate maximum of $3,000; an undergraduate cumulative maximum of $15,000; and a graduate (and professional student borrower maximum of $25,000.

9. Required use of IRS skip-tracing services should be made optional for institutions.

10. The Department of Education procedures for audits should be substantially revised.

11. The Department of Education procedures for program reviews should be substantially revised.

12. An administrative cost allowance of $10 per Guaranteed Student Loan should be paid to participating institutions by the Department of Education.

March 7, 1991

COHEAO Reauthorization Proposals

The Coalition of Higher Education Assistance Organizations (COHEAO) is a unique partnership of higher education institutions and commercial entities with a shared professional interest in fostering access to postsecondary education. COHEAO maintains a proactive focus on legislative and regulatory developments for all federally funded student aid programs.

Established in January, 1981 as a non-profit organization in the District of Columbia, COHEAO now has a membership comprised of over 300 colleges and universities, and other for-profit entities involved in the operational and of federally supported student financial assistance.

Introduction

This paper summarizes COHEAO's proposals for the reauthorization of the Higher Education Act of 1965. These proposals represent the input of the COHEAO Legislative Committee, and have been endorsed by the COHEAO Steering Committee. Questions regarding these reauthorization proposals should be directed to the COHEAO Legislative Chair, Kate Wilson at the Massachusetts Institute of Technology (617/253-2445).

General Principles

COHEAO member organizations support the expansion of the Perkins Loan Program as a low cost alternative to borrowing under the Federally insured Stafford and Supplemental Loans for Students (SLS) programs. All loan programs have been designed to support access to higher education. An inherent injustice arises when low-income students are required to incur large debts in order to attend a postsecondary institution. Increased borrowing by students and their families who have limited means to repay will naturally result in increased default costs in the program. One way to address this concern is through extended loan counseling. Students are counseled about loan repayment obligations and proper debt management to prevent defaults. COHEAO members believe that educated borrowing is facilitated also by sensible financial aid packaging by institutions. However, reducing the cost and volume of defaults in all loan programs, while at the same time maximizing access to postsecondary education for the neediest students, is the major reauthorization goal promoted by COHEAO.

COHEAO believes that three fundamental principles should guide the reauthorization process:

A. All eligible students should have access to quality institutions of higher education.

B. Financial assistance for the neediest students should be significantly increased to enhance educational opportunity for currently under-served student populations.

C. The incidence of default and the costs associated with it should be reduced.

These principles guide the COHEAO reauthorization proposals. The proposals focus primarily on three federally supported student loan programs: The Guaranteed Student Loan Programs, the Perkins Loan Program, and the Income Contingent Loan Demonstration Project. COHEAO supports the expansion of the Pell Grant program and the campus-based SEOG program and the College Work-Study program.

I. Issue: Simplification of Deferments.

Current law: Section 464(c)(2)(A) provides for 11 separate categories of deferments on Perkins Loans. Included are deferments for military service, full-time school enrollment, service as a Peace Corps or a VISTA volunteer, and volunteer work with a 501(c)(3) organization. The deferments also include one for parental leave and a deferment for working mothers "with preschool age children who are just entering or reentering the workforce and who are compensated at a rate not to exceed $1 in excess of the rate prescribed by section 6 of the Fair Labor Standards Act of 1938."

Current Regulations: 34 C.F.R. 674.34. The regulation closely parallels the statute.

Discussion: Current deferments are not only complicated to administer, but are difficult for financial aid or loan administrators to explain to students. Reducing the number and

types of deferments would: (1) simplify administration of the program; (2) increase a student's understanding of his/her rights and responsibilities; and (3) decrease technical delinquency and technical defaults.

COHEAO Recommendation: COHEAO recommends simplification of Perkins Loan deferments and making them identical to Stafford Loan deferments. These should be limited to two deferments: one for in-school (including half-time) and the other for forbearance to be defined by the institution (i.e., military service, temporary disability) according to regulations promulgated by the Department of Education. Interest would not accrue during deferment. COHEAO recommends no maximum length of time be specified for deferments, but that deferments be reviewed every six months.

II. Issue: Expansion of the Perkins Loan Program by Modification of Treatment of Funds Collected and Assigned in the Perkins Program.

Current law: Section 467 authorizes the assignment of Perkins Loans for collection to the Secretary. Collections on assignments, however, are returned to the U.S. Treasury.

Current regulations: 34 C.F.R. 674.50 specifies conditions for the assignment of defaulted Perkins Loans to the United States government. General regulations require the return to the U.S. Treasury of revolving funds recaptured from closed schools pursuant to audit findings and unclaimed cancellation reimbursements.

Further, Department policy requires institutions to return excess cash balances in its Perkins Loan Fund to the Department which reverts to the Treasury Department.

Discussion: Several proposals have been put forward for establishing a National Revolving Fund to permit greater numbers of Perkins loans to be available for students through reallocation to institutions. National Revolving Fund could include: (1) funds collected on assignments, (2) revolving funds from closed schools (3) funds recpatured from institutions pursuant to audit findings, and (4) unused appropriated teacher cancellation funds.

COMPAQ Recommendation: Make modifications allowing any provision of the Act currently calling for funds to be placed in the Treasury to be revised to provide for the allocation of such funds to a National Revolving Fund and subsequently reallocated to institutions.

III. Issue: Reallocation of Unspent Institutional Revolving Funds.

Current Law: Section 466(c) of the Higher Education Act.

Current Regulation: None

Discussion: The Department of Education has expressed concern that some institutions are not awarding their appropriated Perkins Loan funds within a reasonable time frame. Under program requirements, any unexpended balance shown on the institutions financial report to the Department reverts to the U.S. Treasury.

Under no circumstance is an institution entitled to withdraw all of its allocation and carry it over into a subsequent award period unless the cash is shown to be needed in accordance with procedures established under ED procedures outlined in USDE Dear President letters date April 1978 and July 1979. COHEAO supports the Congressional and administrative goal of maximizing use of appropriated Perkins Loan funds, but believes it is proper that funds appropriated for Perkins loans are not designated as excess cash and lost permanently from the program.

COHEAO Recommendation: Allow the Department of Education to capture unexpended funds from an institution's revolving fund if those funds have not been awarded to students within two years after the funds were received. Additionally, direct the Department of Education to reallocate those funds to institutions participating in the Perkins Loan Program.

IV. Issue: Authority to compromise with borrowers on defaulted Perkins Loans.

Current Law: Currently, institutions or delegated collection agencies and attorneys are not authorized to compromise principal, interest, and late fees on defaulted Perkins loans. Compromise is permitted by guaranty agencies on defaulted Stafford loans after purchase of the loan from the originating lender or secondary market, and by the Department of Education and its agents who collect assigned student loans.

Regulations: Not applicable.

Discussion: Current law and regulation in the Perkins Loan Program is silent on the subject of compromise with borrowers. Many institutions believe that if a delinquent borrower is willing to pay 90 percent of principal, interest and late fees with a lump sum payment educational institutions and representatives (agencies, attorneys) should be permitted to accept the payment as payment in full. Reasonable restrictions should be placed on this authority to compromise in order to prevent abuse. Due diligence must be strictly followed and documented before compromise is allowed.

The Department of Education has developed specific criteria which must be met if compromise is to be allowed for assigned loans. Third-party collection agencies under contract to schools should be held accountable to the same criteria if they wish to have the privilege of compromise. Institutions should be held accountable to the same criteria if they wish to have the privilege of compromise.

COMPAO Recommendation: Institutions should be allowed to comprise on defaulted Perkins Loans to encourage borrower repayment. Compromise should be regulated by the Department to be consistent with the rules governing compromise under the Guaranteed Student Loan programs and the current criteria used by the Department for assigned loans. Compromise should apply for lump sum payments of 90 percent of the principal, interest and late fees on defaulted loans.

V. Issue: Credit Bureau Reporting in the Perkins Loan and Income Contingent Loan Demonstration Project Programs.

Current Law: Section 463(c) requires the Secretary to enter into cooperative agreements with credit bureau organizations for the purpose of exchanging information on loans assigned to the Secretary. The Secretary is required to provide--

(A) the date of disbursement and the amount of the loan;

(B) information concerning the collection of the loan, including information concerning the status of any defaulted loans; and

(C) the date of cancellation of the note upon completion of repayment by the borrower of any such loan.

Information can be disclosed to credit bureaus at origination, however, only with consent of the borrower, under the applicable program regulations (see below). Section 463(a)(11) requires the institution at origination to notify the borrower that a default on a Perkins loan may be reported to a credit bureau.

Current Regulation: 34 C.F.R. 674.31(b)(10)(i) requires that the borrower's consent be obtained before an institution notifies a credit bureau of a Perkins loan at the time of origination. 34 C.F.R. 674.45(a)(1) requires that the institution report a defaulted Perkins loan to a credit bureau unless specifically prohibited from doing so by State law. 34 C.F.R. 674(b)(1) requires an institution to select one or more credit bureaus for its information referrals with due regard for the coverage provided

by the bureau or bureaus. 34 C.F.R. 682.208(a) specifies that the GSL loan servicing process includes reporting to credit bureau organizations. 682.208(b) requires that, for GSL or PLUS loan, a lender must promptly report to at least one credit bureau the date of disbursement and the amount of the loan, including the repayment status of the loan; and the date the loan is fully repaid, or the date on which the borrower's debt was discharged by reason of death, bankruptcy or total and permanent disability.

Discussion: Institutions support credit bureau reporting as an effective means of reducing defaults. Currently only defaulted Perkins loans are reported. COHEAO recommends that ALL Perkins loans be reported when disbursed and that current obstacles to reporting loans to credit bureaus be removed. Credit bureau reporting provides a positive benefit to the borrower, establishes a positive credit history potential and provide all creditors with a more accurate picture of debt level.

COHEAO Recommendation: COHEAO recommends that Perkins Loans and ICL's be reported to the national credit bureaus by the institution no later than the period of study or the end of the award year for which the loan was made. Furthermore, schools and guaranty agencies should be prohibited from deleting adverse credit information except in the case of documented error.

COHEAO supports uniformity of practice between Perkins Loans, Income Contingent Loans and Guaranteed Student Loans, meaning that identical reporting requirements should apply. As a matter of

practice, this would require schools to notify national credit bureaus when loans are disbursed or delivered to the student, when a default occurs, and when other updates of information are required under the Fair Credit Reporting Act.

VI. Issue: Interest-Bearing Accounts.

Current Law: The Higher Education Act directs institutions to adopt practices which will protect the United States from unreasonable risk regarding the maintenance of the Perkins Loan Fund. Regulations require institution to deposit collections and cash in to an interest-bearing account. Since institutions retain collection agencies, loan servicers, and collection attorneys to collect on defaulted Perkins loans, the Department has ruled that third-party collection agencies must also maintain such collections in an interest bearing account.

Current Regulations: 34 C.F.R. 674.45(f)(1)(i) provides that: 34 C.F.R. 674.46

"An institution shall ensure that any funds collected as a result of billing, collection, or litigation procedures are-

(i) Deposited in interest-bearing bank accounts that are--

(A) Insured by an agency of the Federal Government; or

(B) Secured by collateral of reasonably equivalent value; or

(ii) Invested in low-risk income producing securities, such as obligations issued or guaranteed by the United States."

Discussion: The Department of Education, seeking to maximize campus-based Perkins Loan revolving funds, requires loan servicers, collection agencies, and collection attorneys to place funds in interest bearing account, with the interest payable back to the appropriate institution if it exceeds costs. Many collection agencies, attorneys, loans servicers, and some institutions, have criticized this requirement as unfair.

Attorneys handling of collection funds is regulated closely by States. In some states, interest earned on escrow funds are used to serve a variety of public purposes, including legal aid to the poor, funding student loans, and expansion of law-related education projects. The American Bar Association maintains a list of state regulations on this subject.

The average student loan collection attorney handles 25 to 50 cases per month. This small volume of cases cannot justify the high costs associated with maintaining and refunding interest. These costs will discourage many attorneys from seeking this type of work.

The problem is compounded for large national collection agencies supporting a large legal network for collections. These agencies must maintain constant monitoring of the activities of their collectors to assure maximum performance. The interest-bearing account regulation unfortunately complicates this process and makes the establishment of such a network more difficult.

The requirement that institutions must maintain Perkins Loan Funds in an interest-bearing account should continue since it maximizes earnings and make more funds available to borrowers.

COMPAQ Recommendation: The statute should be amended to cancel current regulations and prevent the issuance of additional regulations on this subject. Collection agencies, loan servicers, and collection attorneys should not be required to place monies collected on behalf of schools in interest-bearing accounts. At the point at which proceeds are returned to the institution, funds should then be placed into interest-bearing accounts.

VII. Issue: Expansion Of Perkins Loan Program Through Authorizing the Transfer Of Up to 25 Percent of Other Federally Supported Campus-Based Programs.

Current Law: None

Current Regulation: None.

Discussion: Because appropriations for the campus-based programs have remained relatively constant and institutional preferences regarding use of campus-based funds vary, Congress authorized the transfer between certain programs of up to 10 percent of appropriated funding. For example, an institution may transfer up to 10 percent of College-Work Study funds to supplement SEOG awards, and vice versa. This provision has allowed institutions to adjust campus-based accounts to better reflect the diverse financial aid needs of eligible students. Increasing the

percentage of transferrable funding to 25 percent and making the Perkins Loan program an eligible participant in this transfer would give schools greater flexibility to increase their Perkins Loan volume even if annual appropriations remain relatively constant.

COHEAO Recommendation: Expand authority granted in Sec. 488 to include the Perkins Loan program. The institution would be able to transfer funds among the three campus-based programs. Increase the percentage of campus-based funds (appropriated and matching funds) available for transfer to 25 percent.

VIII. Issue: Increasing Perkins Loan limits.

Current Law: Section 464(a)(2) of the Higher Education Act specifies that the aggregate Perkins loan borrowing limits for students are--

$18,000 in the case of a graduate or professional student;

$9,000 in the case of a student who has completed two years of a program leading to a bachelor's degree, but who has not yet completed the degree; and

$4,500 in the case of any other student.

Current Regulation: 34 C.F.R. 674.12 parallel the statute.

Discussion: In the 1990's, students will need additional funds to pursue higher education. If access is to remain available to all students to attend institutions of their own choosing, additional financial aid funds will have to be made available. The Perkins Loan program provides students with the most economical

loan option. Higher loan limits for Perkins Loans, targetted to the neediest borrowers, could reduce the need to borrow under several programs for those students most in need of Federally subsidized loan assistance.

COHEAO Recommendation: Increase the annual undergraduate borrowing limit to $3,000. The cumulative limit for undergraduate borrowing would then increase to $15,000. For graduate and professional school borrowers these limits would increase to $25,000.

IX. Issue: Modification of required use of IRS skip-tracing.

Current law: Not applicable.

Current regulation: 34 C.F.R. 674.44 requires IRS skip-tracing as part of due diligence and no loan may be assigned to the Department of Education unless the skip-trace was conducted. It should be an option for all schools, not required, since there are more effective skip-tracing options available.

Discussion: The required IRS skip-tracing is unsuccessful in providing accurate data and is an administrative burden for institutions. Institutions agree that the IRS data is not current, that there is an excessive time lag between submission of the names to the Department of Education and the return of information from the IRS, the IRS database does not include name changes, nor does it performs a names/match function. In addition, institutions are required to file an annual "Safeguard Activity Report" which is an

unnecessary administrative burden.

COHEAO position. Use of the IRS skip-tracing service should be optional for all institutions since there are more effective skip-tracing options available.

X. Issue: Improved audit procedures.

Current law: Section 487(c) of the Higher Education Act.

Current regulation: 34 C.F.R. 668.23 specifies guidelines for audits, records and examination of institutions participating in the Perkins and other Title IV programs. 34 C.F.R. 668.14 and 668.15 outline standards used for evaluating the administrative capability of institutions.

Background and discussion: Throughout the 1980's, severe restrictions were placed on the availability of funds for the Department of Education to conduct audits. The result has been an increase in fraud and abuse in the program caused by inadequate oversight of institutions and other financial aid program participants.

COHEAO position: The Department of Education procedures for audits should be substantially revised to include the following:

A. ED and participating school staff should receive regular training regarding program regulations and implementation.

B. Schools with default rates in excess of 20 percent should be required to submit independent third-party audits to the Department of Education on an annual basis.

C. ED auditors performing audits pursuant to suspected noncompliance with program requirements should receive mandatory training by the Department of Education.

D. Audit information collected by ED and guaranty agencies should be shared with other relevant federal and state agencies.

XI. Issue: Improved program reviews.

Current Law: None

Current Regulations: 34 C.F.R. 668.23 specifies requirements for audits, records, and examination for institutions participating in the Perkins Loan Program. 34 C.F.R. 668.14 and 668.15 outlines criteria for evaluation of the administrative capability of institutions to participate in the Title IV programs.

Discussion: The same cut back in spending on technical assistance and oversight that diminished the frequency and effectiveness of the Department's audit procedures has applied to program reviews. The result has been an increase in the need for training of school and ED personnel to avoid abusive program practices.

COHEAO Recommendation: The Department of Education procedures for program reviews should be substantially revised to reflect the following:

Program reviews should be conducted using consistently applied guidelines to validate documented audit findings. Therefore, ED staff charged with completing program reviews should receive

standardized training. Necessary funds should be allocated to enable the Department to provide adequate training to personnel and conduct proper program reviews.

XII. Issue: Administrative Cost Allowance for Guaranteed Student Loans.

Current Law: Schools are not eligible to be reimbursed for administrative expenses in connection with the Guaranteed Student Loan programs. Institutions receive a five percent administrative cost allowance for the administration of the Pell Grant Program.

Current Regulation: None.

Discussion: In recent years Congress has enacted numerous amendments requiring schools to assume new responsibilities including entrance and exit counseling and complex loan disbursement procedures. These requirements have significantly increased the administrative costs borne by schools which now face badly strained budgets. Up until 1981, a provision in the law, which was never funded, authorized the payment of a $10 per Guaranteed Student Loan administrative cost allowance.

COHEAO Recommendation: An Administrative Cost Allowance of $10 per Guaranteed Student Loan (including all of the Part B loans) should be paid to participating institutions by the Department of Education.

Northern Illinois University

Educational Services and Programs—*An Overview*

The mission of the Office of Educational Services and Programs (ESP) is to identify, recruit, prepare, and assist otherwise capable students whose pre-college education has not fully enabled them to take maximum advantage of their potential and the opportunities of higher education.

An Open Letter:

In the mid-1960s, higher education undertook an earnest effort to provide significantly broadened access for minorities and others historically underrepresented in higher education. Federal and state financial aid programs were established or increased substantially and more aggressive and carefully designed recruiting practices were instituted.

It was in this era that, together with strengthened, more focused recruitment efforts, NIU sought to address the preparation and support of minority students it identified as being very bright and capable, but who would need assistance to be successful in ultimately obtaining a baccalaureate degree. Beginning with a federally funded pre-college preparation program (Upward Bound) in 1966, NIU soon developed the institutionally funded CHANCE Program (1968) to recruit minorities and provide the supportive services judged necessary to promote their persistence and ultimate graduation. These initial efforts have since grown into a far more comprehensive network of pre-college and college programs and services which NIU is proud to say is making a real difference. Today the Office of Educational Services and Programs (ESP) serves more than 2,600 students, including a significant number of non-minorities who have similar needs for supportive services.

While ESP and its constituent programs and services represent the vanguard in these efforts, there are additional elements that make up the NIU thrust to open its doors and serve those who seek to enter and complete a college program of study. Diversity and the retention of those who have been significantly underrepresented in higher education generally, and at NIU specifically, are being addressed through both formal programs and informal efforts in virtually every college and department at NIU.

NIU not only wholeheartedly supports ESP, Northern endorses a community-wide commitment to actively support diversity as a responsibility. It views broad access, persistence, and graduation as the most concrete examples of institutional excellence and its ultimate contribution to society.

Sincerely,

John E. La Tourette
President

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History of ESP at NIU

1966—Upward Bound (pre-college preparatory and placement program) established at NIU with funding from the U.S. Department of Education. Renamed ACE (Access to a College Education) in June, 1988.

1968—CHANCE (Complete Help and Assistance Necessary for a College Education) Program established to recruit and provide assistance to NIU freshmen, particularly minority students. In 1988, redefined (Counseling Help and Assistance Necessary for a College Education) to reflect expanded services to students throughout their tenure at NIU.

1971—Special Services for Disadvantaged Students Program established at NIU with funding from the U.S. Department of Education to provide counseling and academic assistance to qualified NIU students. It also served as a supplement to the CHANCE Program. (In 1987, the Special Services Program was renamed Student Support Services by the U.S. Department of Education.)

Also established in 1971, the Office of Special Projects (OSP) was fully funded by NIU to coordinate and assume administrative and organizational supervision of Upward Bound, CHANCE, and Special Services programs.

1985—Educational Talent Search program (guidance and post-secondary preparation and placement) established within OSP with funding from the U.S. Department of Education. Renamed TALENT in 1988, the current program serves 500 youth and young adults (ages 12-27) in Rockford, Illinois.

1986—University Tutorial Program initiated. Redefined as the ACCESS-PAL tutoring component in June, 1989.

1987-1989—The Office of Educational Services and Programs (ESP) replaced the Office of Special Projects and two major organizational tiers were established within ESP. The reorganization resulted in the establishment of ACCESS (Access to Courses and Careers through Educational Support Services) as the academic services thrust at the college level. ACCESS became the counterpart to CHANCE, which was redefined to concentrate on the counseling thrust. Services were expanded, refined, and extended to serve college students throughout their NIU careers. A mentoring component (CHANCE-PAL) and a minority transfer student services component were added. College admissions recruitment (formerly performed by CHANCE) became ESP's administrative responsibility. The first NIU students admitted through ESP began classes in August, 1989.

Educational Services and Programs (ESP)

Operating at both the pre-college and college levels, ESP serves a diverse student population; however, racial minorities and others historically underrepresented in higher education are especially sought.

Services are comprehensive and include personal and group counseling, academic and career advising and placement services, personal and skills development activities and seminars, tailored instruction and formal development classes, individual and group tutoring, mentoring, and transition preparation.

Currently, ESP serves over 600 students in its pre-college division and approximately 2,000 students in the college-level division, including 450 to 500 freshmen admissions. The reach of ESP programs and services extends from children in grade 7 to adults up to the age of 27.

Administration and Staff

The Office of Educational Services and Programs, a department in the Division of Academic Affairs, is administered by a director who reports directly to the vice president and provost.

The ESP staff consists of approximately 50 professionals, paraprofessionals, civil service personnel, and graduate student assistants.

Two Tiered Model for Two Levels—TAP (Pre-College) and CAP (College)

The TAP Tier serves pre-college youth through early outreach and identification, pre-college preparation, and a postsecondary placement network. It serves youth in grades 7 through 12, high school graduates who are not enrolled in postsecondary education, high school dropouts, and young adults up to 27 years of age.

The pre-college tier is comprised of two currently funded programs, TALENT (The Avenue for Leadership and Education—Now and Tomorrow) and ACE (Access to a College Education), with the planned addition of a third, PROMPT (PROgram for Minority Preparation and Training). The acronym TAP is formed by these programs' first letters.

The CAP Tier is the college-level division that focuses on enabling and supporting students through help with college admissions, by promoting access, and by encouraging persistence through graduation. It serves all freshmen admitted to NIU through ESP and provides continuing services to students as they progress toward graduation.

CAP is comprised of two major programs and a key service component: CHANCE (Counseling Help and Assistance Necessary for a College Education), ACCESS (Access to Courses and Careers through Educational Support Services), and PAL (Peer Assisted Learning). The acronym CAP is formed by the first letters of the two programs and the service component.

Pre-College (TAP) Programs

TALENT—The Avenue for Leadership and Education—Now and Tomorrow

First funded at NIU in 1985, the TALENT program operates exclusively in the city of Rockford and serves 500 youth and young adults aged 12 through 27. Its primary focus is to provide outreach identification, counseling, preparation, and placement services for students who aspire to attend college. Participants must be from low income families and be of the first generation of their families expected to attend and complete college.

ACE—Access to a College Education

This program, which operates in DeKalb, Elgin, Rockford, and Aurora, serves 85 high school students. Its primary focus is to provide counseling, academic skills development, general preparation, and placement services for students who aspire to attend college. The program includes an intense residential academic summer component and a commuter academic year component. As in TALENT, participants must be from low income families and be potential first generation college students.

PROMPT—PROgram for Minority Preparation and Training

Approved in concept, PROMPT anticipates funding support through the Illinois Board of Higher Education in the very near future. It proposes to initially serve upper elementary youth in grades 7 and 8, with plans to expand to serve students through the middle and high school years. A distinctive component of PROMPT is an intensive residential academic summer component for older students and a year-round support services component.

TALENT and ACE work cooperatively in several key areas, such as student recruitment, tutoring services, field trips, college visits and college fairs, and student and parent workshops dealing with college admissions and financial aid. When PROMPT is activated, a cooperative transfer relationship with TALENT and ACE will broaden services to students enrolled in the TAP Tier.

College Level (CAP) Programs

CHANCE—Counseling Help and Assistance Necessary for a College Education

This college-level program provides counseling workshops and related support to students throughout their tenure at NIU. Coordinated with ACCESS, CHANCE serves 450 to 500 first-year students and all of the continuing upper division students.

ACCESS—Access to Courses and Careers through Educational Support Services

The ACCESS program administers academic and related services, including developmental courses, tutoring, a formal course support program entitled Supplemental Instruction and the Student Support Services Program. Working closely together, ACCESS and CHANCE serve approximately 2,000 students, including 450-500 first year students.

PAL—Peer Assisted Learning

Both CHANCE and ACCESS include peer assisted learning components. In CHANCE, PAL is a mentoring component; in ACCESS, PAL offers tutoring assistance. The CHANCE-PAL component was initiated for the 1989-90 school year.

CHANCE and ACCESS work cooperatively in areas such as student recruitment, assessment and placement, career planning and placement, general student follow-up, alumni relations, and leadership development activities. In 1989, CHANCE and ACCESS added services to assist minority transfer students. Working in conjunction with NIU's Office of Admissions, these efforts focus on increasing the number and persistence rate of incoming minority transfer students.

ESP—A Critical Ingredient in Addressing University Concerns

The comprehensive collection of services offered by the Office of Educational Services and Programs is a critical ingredient of Northern Illinois University's thrust to significantly improve the access and persistence rate of minority students and others who have been historically underrepresented in higher education. As such, ESP cooperates with university offices and programs across the campus. The expansion and redefinition of ESP services and programs that took place between 1987 and 1989 are emphatic demonstrations of the NIU community's increasing concern about diversity, access to higher education, and commitment to promoting excellence in student services. Ultimately the benefits will reach beyond the NIU community and contribute to the enrichment of society as a whole.

For Further Information:

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Senator SIMON. And what two deferments would you put on the Perkins Loan Program?

Ms. FLINK. Hardship and probably in-school.

Senator SIMON. And what?

Ms. FLINK. In-school deferment.

Senator SIMON. You mentioned simplifying forms. Have you seen this thing that is circulating that I have not seen yet? [Laughter.]

Ms. FLINK. I have a different perspective. Being from the business side of the house, we see the student that will come into our office and say "I cannot pay my bill," and we will ask them the question "Did you apply for aid?" "I can't fill out the form. I don't have tax forms," and they start explaining to us why they cannot do this. And, unfortunately, usually they are at the point where most of the aid is gone. So, I would definitely support a simplification of the application.

Senator SIMON. OK. The suggestion she makes for increasing the Perkins loan limits is something that the rest of you would also favor?

For the record they are all nodding. [Laughter.]

Mr. BROMFIELD. Yes.

Mr. WALLACE. Yes.

Ms. PARROTT. Yes.

Ms. REYES. Yes.

Ms. FLINK. Yes.

Senator SIMON. Let me ask this question of each of you. If you could just make one change in the whole student loan/grant program, what change would that be?

I do not know who wants to go first here.

Mr. WALLACE. I will go first.

Senator SIMON. You look like you're eager, Herschel Wallace.

Mr. WALLACE. I think the one change that I would make would be for especially those that are on some type of public assistance. They fill out the form once, maybe at the beginning of their freshman year; and, unless their income situation changes, do not make them fill out another form.

Ms. PARROTT. I think the one thing would be to make people aware of financial aid and that grant assistance is available to the low income.

Senator SIMON. Alicia Reyes.

Ms. REYES. Oh, I have so many; but I think that one of the things is the increase in loan limits of whatever program we have to fund higher education, whether it be Perkins increase or Stafford loan or a direct loan program. That is high priority for us.

Senator SIMON. All right.

Judith Flink.

Ms. FLINK. On a broader perspective, I think we need to put more emphasis on early intervention, to keep people out of the borrowing stream, emphasizing to high school counselors, getting them educated on what programs we need to put in place, so that people understand the financial aid process and that students can go to school. I think that is a major program in the whole process. Like I said, being from the business side, when we are dealing with a student, it is already too late. There is too much debt and they are in default. We have to begin up front to educate the potential higher

education population on the options that are out there to be sure that they don't leave school with the unmanageable debt that we keep hearing about.

Mr. BROMFIELD. I think, if there is one thing that I could change, is that for the student, regardless of what they would want to go into, their education as well as their financial situation, that they would able to pursue that degree and pursue even on, a graduate degree, and that they would be assured that the money would be there.

Senator SIMON. Let me just add one other comment, because several of you mentioned the default problem. I don't like defaults, but what has happened in all defaults is not necessarily just a huge loss to the country.

We had a young woman testify a couple weeks ago, two children, really struggling to get by. She has borrowed money to get through school. She is getting an associate degree from a community college. She has a job lined up. As she was going through the—she was on welfare. She was explaining her loan repayments and everything. My guess is she is going to end up in default, and that is a negative statistic; and yet, she has moved from being on welfare to being a taxpaying citizen and, obviously, doing a much better job for herself and her children.

I mention this simply to say we should not look at the default program just as a total negative for the country, even though I would like to get those numbers down.

We thank you very, very much. We will take a 3-minute recess, and proceed with the next panel.

[Recess.]

Senator SIMON. The hearing will come to order.

We are pleased to have as the final formal panel—and then anyone who wishes to comment, we will be happy to hear from—Tendaji Ganges of Northern Illinois University and Mary Ellen McGoey of Northeastern Illinois University.

We are missing Tendaji Ganges; but, Mary Ellen McGoey, we are pleased to have you here. Here is Mr. Ganges.

Well, since you were the first at the table, we will hear from you first, Dr. McGoey.

STATEMENTS OF MARY ELLEN MCGOEY, ASSISTANT PROFESSOR, NORTHEASTERN ILLINOIS UNIVERSITY, CHICAGO, IL; AND TENDAJI W. GANGES, DIRECTOR, OFFICE OF EDUCATIONAL SERVICES AND PROGRAMS, NORTHERN ILLINOIS UNIVERSITY, DEKALB, IL

Ms. MCGOEY. Thank you, Senator Simon.

I would like to thank Senator Simon and the committee for inviting me to testify in support of the National Teacher Act session of the Higher Education and Authorization Act and, first of all, to commend them and Senator Simon, in particular, for their commitment to foreign language education. Illinois teachers point with pride to the fact that one of the Nation's strongest and most persistent advocates of foreign language has been, and continues to be Senator Simon. We realize that this has often been a very lonely campaign, and we are deeply grateful for his support.

Senator SIMON. I thank you, and I thank you for your leadership.

Ms. MCGOEY. The provisions of the bill which forgive loans to students majoring in foreign language who agree to teach upon graduation would aid immeasurably in recruitment efforts, especially in regards to minority recruitment. As has already been testified, the skyrocketing costs of college education, coupled with diminished Federal aid and the mounting indebtedness of students upon graduation, and it made it difficult for them to opt for a teaching career, in which starting salaries are low and increments are modest. They foresee nothing but debt incurred because of their education in the foreseeable future. However, if we are to meet the teacher recruitment shortages that are predicted in 35 of the 50 States by 1993 in the area of foreign languages, we will need to have some more tangible benefits available to students in our recruitment efforts. A provision for extra incentives to those deciding to teach one of the less commonly taught languages would also be desirable, especially in Illinois, where in 1987 only 631 students were enrolled in State high schools in Russian, Arabic, Chinese, or Japanese.

On another section of the bill, in the latest published survey of State initiatives in foreign languages by the Joint National Committee for Languages—this was done in 1989, and was a survey of foreign language State supervisors—there were three principal obstacles to the expansion of foreign language mentioned. The first, of course, is funding; the second is recruitment, which is addressed in the National Teacher Act, and the third, which they term "startling" are the negative public attitudes and perceptions of the importance and usefulness of foreign language education. They mention that, despite all the media attention, the supportive national leaders, such as yourself and the committee, and, at the State level, important advocates, such as Thomas Lay Burroughs, Chairman of the State Board of Education, decisionmakers at local levels, and even the general public have not been convinced of the need to increase our knowledge of the world to participate effectively in it.

What I find startling and, in fact, striking about these conclusions is how they contrast with what is happening currently in the European Community in light of the implementation of the Single European Act in 1992. Recent initiatives by the EC in the area of language and international studies are moving the community to what is hoped will be a society enriched by the multi-lingual competencies of its citizens. The Lingua program, in particular, seeks to promote a quantitative and qualitative improvement in foreign language competence among community citizens by the promotion of teacher services, in-service training courses for teacher, developing of programs for prospective language teachers, and exchanges for study abroad, all of which are addressed in the new reauthorization of the Higher Education Act. Whereas we, in the United States, continue to view multi-lingualism as divisive and a threat to national cohesion, the European Community considers monolingualism, in fact, our hallmark, the real obstacle to future understanding, tolerance, and friendship between community members and between the community as a whole and the rest of the world.

I believe that, until consensus begins to grow in America, such as is being formed in Europe, foreign language advocates and educa-

tors will continue to have their programs challenged or terminated, to have their budgets cuts, and to have their recruitment efforts fall on deaf ears. But, as you, yourself, have pointed out in a recent article in *Foreign Language Annals*, "Progress is achieved step by step—not by giant leaps."

Therefore, one of these small achievements would certainly be the successful startup and expansion of the cooperative arrangements between schools and the establishment of professional development schools, both of which are proposed in the National Teacher Act. The Chicago Teachers Center of Northeastern Illinois University has been quite successful over the last 10 years in its efforts to provide services of this kind to teachers in cooperative arrangements with the Chicago public and private elementary schools.

However, one way in which the negative perception of language might begin to be reversed would be the extension of these cooperative arrangements beyond the academy and into the workplace. The European Community's Lingua program, which I mentioned earlier, has a specific provision for the promotion of foreign language in work relations and economic life. Funding has been provided, especially for the development of teaching materials and teacher trainers for foreign language in small- and medium-sized businesses.

At the present time, most American small- and mid-sized businesses have only the phone book as a recourse when they need foreign language expertise which they lack in their own companies. This was proved in a recent survey done by Temple University's Carol Fixman, who discovered that representatives of smaller companies were, in fact, more sensitive to foreign language culture and language than many of her interview partners in large multi-nationals. They also were the ones in Fixman's survey most in need of the training and expertise which foreign language departments at post-secondary institutions might be able to provide.

The provision for partnerships in language training which go beyond academia and into the local community, especially into the businesses of those who are particularly aware of the importance of foreign language, might begin to break down the resistance to the study of language and international studies at the local level, where, in fact, most of the funding decisions are made. I understand that some language training through the Centers for International Business Education has been proposed in another section of the Higher Education Act, and I fully endorse these measures.

However, I would suggest broadening somewhat the scope of the present National Teacher Act provisions for cooperative arrangements and professional development schools to include partnerships of the foreign language departments of institutions of higher education with small- and mid-sized businesses.

I suggest this, for two reasons: The first, such cooperative ventures could be of service to even more companies if they were housed in foreign language departments in addition to regional business education centers; and, second, because encouraging departments of foreign language to become direct partners with business could lessen the language department's isolation from the community and begin to make others outside government and aca-

demia see the connection between language, culture, and the world of the 1990's.

In conclusion, I would simply state that all of the measures in the National Teacher Act are most welcome and most needed.

[The prepared statement of Ms. McGoey follows:]

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PREPARED STATEMENT OF MARY ELLEN MC GOEY

I would like to thank Senator Simon and the Committee for inviting me to testify in support of the National Teacher Act and to commend them, and Senator Simon in particular, for their commitment to foreign language education. Illinois teachers point with pride to the fact that one of the nation's strongest and most persistent advocates of foreign language has been and continues to be Senator Simon. We realize that this has often been a lonely campaign and are deeply grateful for his unrelenting support.

The provisions of this bill which forgive loans to students majoring in foreign language who agree to teach upon graduation would aid immeasurably in the recruitment of students to the field, and could certainly have a positive effect on minority recruitment. The skyrocketing costs of a college education, coupled with diminished federal aid and the mounting indebtedness of students upon graduation, have made it difficult for them to opt for a career in which starting salaries are low and increments so modest that they cannot foresee an end to the financial obligations incurred because of their education.

However, if we are to meet the teacher shortages in foreign languages now predicted for no less than 35 of the 50 states by 1993 (Draper, 1989), there must be some very tangible benefits to students attached to our recruitment efforts. A provision for extra incentives to those deciding to teach one of the less commonly taught languages would also be desirable, especially in Illinois

where in 1987 only 631 students in all of the State's high schools were enrolled in Russian, Japanese, Chinese or Arabic (Burroughs, 1991).

In its latest published survey of state initiatives in foreign languages, the Joint National Committee for Languages mentions three principal obstacles to the continued expansion of foreign language and international studies. The first is funding, the second is recruitment, which is specifically addressed in the National Teacher Act, and the third, which they term "startling" are the negative "public attitudes and perceptions of the importance and usefulness of foreign language education" (Draper 4). Despite all the media attention, the support of national leaders, such as those on the Committee, and the highest level state leaders, in Illinois Thomas Lay Burroughs, Chairman of the Illinois State Board of Education, decision makers at local levels, and even the general public, have not been convinced of the need to increase our knowledge of the world in order to participate effectively in it (Draper, 4). What I find striking about these conclusions is how they contrast so markedly with what is now taking place in the European Community in light of the Single European Act scheduled for implementation in 1992.

Recent initiatives by the EC Commission and Parliament in the area of language and international studies are moving the community to what is hoped will be a society enriched by the multilingual competencies of its citizens. The Lingua program in particular seeks to promote a quantitative and qualitative

improvement in foreign language competence among Community citizens by the promotion of in-service training courses for teachers, the development of teacher training programs, and the promotion of exchanges for study abroad. Whereas we in the United States continue to view multilingualism as divisive and a threat to national cohesion, the European Community considers monolingualism the real obstacle to future understanding, tolerance, and friendship between community members and between the Community as a whole and the rest of the world.

I believe that until a consensus begins to grow in America such as is being formed in Europe, foreign language advocates and educators will continue to have their programs challenged or terminated, to have their budgets cut, and to have their recruitment messages fall on deaf ears. However, as Senator Simon points out in his recent article in Foreign Language Annals, "Progress is achieved step by step...not by giant leaps" (18). One of these small achievements would certainly be the successful start-up and continued expansion of the cooperative arrangements between schools and the establishment of professional development schools, both of which are proposed in the National Teacher Act. The Chicago Teachers Center of Northeastern Illinois University has been quite successful over the last ten years in its efforts to provide services and professional development opportunities to teachers in just such a cooperative arrangement with the Chicago Public and Private

Elementary Schools. One way in which the negative perception of language might begin to be reversed would be the extension of these cooperative arrangements and professional development centers beyond the academy and into the workplace.

The European Community's Lingua program mentioned earlier has a specific provision for the promotion of foreign languages in work relations and economic life. Funding has been provided for teaching materials and trainers of foreign languages in small and medium-sized businesses. Most American small and mid-sized businesses have no recourse but the phone book when searching out foreign language expertise which they may find lacking in their own companies. In a recent survey of the foreign language needs of U.S.-based corporations, Temple University's Carol Fixman discovered that representatives of smaller companies showed more sensitivity to foreign language and culture needs than many of her interview partners in large multinational organizations (Fixman, 1990, 30). They also were the ones most in need of the training and materials which a post-secondary institution might be able to provide. The provision for partnerships in language training which go beyond academia and into the local community, especially into the businesses of those who are already at least somewhat aware of the importance of foreign language, might begin to break down the resistance to the study of language and international studies at the local level, where the

consensus must be the strongest as that is where the majority of funding decisions are now made. I understand that some language training through the Centers for International Business Education has been proposed in another section of the Higher Education Act and I fully endorse these measures. However, I would suggest broadening somewhat the scope of the National Teacher Act provisions for cooperative arrangements and professional development schools to include partnerships of the foreign language departments of institutions of higher education with small and medium-sized businesses. I suggest this for two reasons. First, such cooperative ventures could be of service to even more companies if they were housed in foreign language departments as well as in regional business centers. Second, encouraging departments of foreign language to become direct partners with business could lessen their isolation from the community and begin to make others outside government and academia see the connection between language, culture and the world of the 1990's.

In conclusion I would simply state that all of the measures in the National Teacher Act are most welcome and most needed.

Senator SIMON. Thank you very much for your testimony. I couldn't help but note, in going through your resume here, that you spent a year in Switzerland studying.

Ms. MCGOEY. Yes, I did.

Senator SIMON. You were probably in a family that had the financial means to get you there; is that correct?

Or did you have to struggle to get there?

Ms. MCGOEY. No. As a matter of fact, Senator, I was not. I got there simply because, at the time that I went, which was 1968, I went completely supported by grants, U.S. Federal grants, and one loan.

I was particularly struck by the fact that I spent 2 years abroad and got a Ph.D. for about $8,000's worth of debt, whereas now, Dr. Cross mentioned earlier that it cost $10,000 for one student to graduate from Chicago State with a B.A.; and I did my entire education with 2 years abroad for less than——

Senator SIMON. And, when she mentions $10,000, we have a lot of students who are a lot more than $10,000 in debt by the time they get——

Ms. MCGOEY. Right. To answer your question, though, it was not my parents that supported that at all.

Senator SIMON. Do you have any ideas of how we might encourage—I think you were here when I mentioned there is a declining percentage of faculty and students studying abroad. That is not good news for the country.

Ms. MCGOEY. No. Well, first of all, I would encourage, if there were possible, efforts to have more faculty study abroad, and not just faculty in foreign language departments in which you already, to a certain extent, are talking to people who have had an experience abroad, but people who are in other departments within the university who have maybe some foreign language expertise, but who have not had the opportunity to study abroad; and this is one of the few areas that I think could make foreign language study more important to a broader cross-section of people as bringing it out into more content areas. I think that one of the places where you could start with that is a consensus building among faculty, and then getting it down to students.

The other obstacle is funding. I just started a Study Abroad Program in cooperation with Northern at my school, and we are already discovering that it is much more difficult. Illinois State scholarships, apparently, do not apply to study abroad.

Senator SIMON. You also mention that you favor extra incentives to those deciding to teach one of the less commonly-taught languages, and you specifically mentioned in this State, with 12 million people, 631 students in all of the State's high schools were enrolled in Russian, Japanese, Chinese, or Arabic, which is a pretty startling kind of a statistic.

What kind of extra incentives; do you have anything specific in mind?

Ms. MCGOEY. Well, perhaps—I know the terms of the loan forgiveness appear to be generous, but even more loan forgiveness, extra incentives to students. I was thinking in terms of what the actual act is proposing. That, to me, at the moment would be one of the big things.

Senator SIMON. All right. If you have any other ideas, if you can send me a note, I would appreciate it.

Mr., and am I—I'm going to mispronounce your last name here for——

Mr. GANGES. Ganges.

Senator SIMON. All right. Very happy to have you here and look forward to hearing from you.

Mr. GANGES. I'm very pleased to be here. Thank you for this opportunity to present testimony on the Upward Bound Program portion of the special programs for student from disadvantaged backgrounds.

My name is Tendaji Ganges and, for the past 3½, I have served as the director of the Office of Educational Services and Programs at Northern Illinois University. I am a practitioner in higher education, and have been so for the past 20 years, but most of that time has been spent in the administration of Upward Bound Programs. I spent some 14 years as an Upward Bound director and, prior to that, had worked at virtually every job in the program, except for secretary; I can't type. [Laughter.]

But I'm learning. So, if I ever blow it as a director, I can always go back and get a job.

My current administration of the Office of Educational Services and Programs includes supervision of Upward Bound, Talent Search, Student Support Services Programs, all three TRIO Programs, as well as several other programs that, for lack of a better title, we simply refer to as educational opportunity programs. They provide support services to students, both at the precollege and college level. So, I am very familiar and have remained in the field of educational opportunity, and will likely continue to do so.

My comments and suggestions offered herein are my own; however, they do stem from my experiences both as a product and a practitioner. That is to say I am a product of the TRIO Programs, having been an Upward Bound student myself back in the mid-sixties. So, I speak not only as a practitioner, but someone with a passion for the field of educational opportunity.

I certainly agree with the senator's position that, for a time, it seemed we were tinkering with the reauthorization of the higher Education Act on the past couple of times, but I do also agree that I think it is high time we took a much harder look at the act and determined, indeed, what kinds of things need to be done. I don't believe that my colleagues in the field will always agree with the need for a hard look, though we must understand that. As I mentioned, I am a passionate member; the TRIO professional tends to be a very impassioned person. We see the job as something more than a job, even more than a career. It is almost a mission for the many people who are involved. In fact, there are quite a number of individuals who are involved in the administration of these programs who are products, themselves, of TRIO Programs or educational opportunity programs of a similar nature.

I think it also must be said that we do not often entertain the notion of rebuilding the lifeboat while we are on the high seas. That is a concern we have; that is, we often are looking at what needs to be redesigned in these programs. They are constantly being tinkered with and looked at; new initiatives are always being

developed, and people are concerned that the programs might be dismantled. They have always been underfunded by a significant amount; that is, we serve less than 10 percent of the eligible population across the country, according to many studies. One is always concerned that the programs might, indeed, be tinkered with too much. However, in view of all those concerns, I think it is still absolutely essential that we look at the design of the programs and consider what changes need be made. In fact, these programs were all developed out of individual legislation over the years, in the mid-sixties and early seventies; indeed, they have continued to be added to right on into the eighties and, here in the nineties, we're still looking at new initiatives. I don't know that there has been much attention paid to how these programs were put together; but, certainly, the problem of overlap and whether or not they are compatible are some questions I would like to try to deal with today.

I would like to, just briefly, pick from my written testimony, which you have received a copy of, and highlight some of the suggestions I would like to suggest or, hopefully, at a later time, we can go into more detail.

I would like to speak specifically on recommendations which we hope will increase the efficiency and effectiveness and, indeed, encourage the continuing development of excellence and stability in the TRIO Programs, generally, and Upward Bound specifically. The recommendations, hopefully, are geared to improving the rates of access to, persistence through, and graduation from post-secondary education institutions for those from underrepresented groups, as well as to enhance the ability of institutions and agencies in the U.S. Department of Education to interact cooperatively in the provision and expansion of educational opportunity programs and to refine and redefine those TRIO Programs and their designs as a means to increase their coordination and yet further clarify their respective roles.

I have divided my recommendations into four groups: Program design and services, program delivery systems, accountability and commitment to excellence, and budgetary considerations. I will try to go through this very quickly. I understand we are under a time constraint.

Under program design and services, I would like to first recommend that the Upward Bound Program be mandated to include a comprehensive and intensive summer residential component of a minimum of 6 weeks and a similarly comprehensive and intensive academic year component of a minimum of 24 weeks. There's a great deal of variance between the Upward Bound Programs across the country. They vary in terms of how long a summer program is, how intense it is, but all of them pretty much have come together and understood that the great amount of money that is spent in the summer often does not leave enough money to run the kind of comprehensive and intensive academic year program that we need.

Senator SIMON. Do you have any idea what percentage are in the 6-week programs and what percentage are just—in 6-week residential programs, and what percentage——

Mr. GANGES. No, I don't know the percentage, but it is very high. It is, indeed, very high. Most programs do have a 6-week residential program. That has been highly supported by the Secretary.

Senator SIMON. Yes, and my impression is it has been a tremendous success.

Mr. GANGES. Absolutely. The programs, in all the studies, have been proving to be very, very successful.

Senator SIMON. Correct.

Mr. GANGES. The academic year, of course, as I say, tends to be shortchanged, because of the high cost of the summer program; so, one of the things I am recommending is that we ensure that sufficient funding is available to make certain that the academic year programs at least come up to snuff in terms of the kind of comprehensiveness and the intensity that is needed to continue the work that is begun during the summer.

A second recommendation would be that the instruction in Upward Bound be required to include not only classes, but tutorial support for mathematics through calculus, laboratory sciences, reading, writing, and computer sciences, and at least indicate that the student should try to learn word processing, and that these all be offered during both the summer and academic year components. I say that as a means to define what we mean by comprehensive and intensive services.

A third recommendation would be services to parents, which is a new aspect I think we need to concentrate on. Parents of Upward Bound students should play a more critical role in the education of their children and, indeed, a sincere, consistent effort must be waged to provide for the development of those parents, such that they can play a more definitive role in the education of their children as well as the support of the programs. Parents could be involved in a number of ways, even beyond the most common way of their serving on advisory boards. These individuals could be trained to serve as field or peer counselors to work with other parents and, indeed, work with the program in a number of capacities, both paid and otherwise, even if it is just a small stipend. The training and service directly to parents is going to be essential as a second part of working with the student. The home environment also needs to support the student's development.

I am also proposing that there be established an early identification program to serve students in grades 6-8; that is, ages 11-14. Such a program could be designed along lines similar to the Upward Bound Program, and the graduates of such a program could potentially be transferred directly into an Upward Bound Program. Such a program is being offered as a proposal in lieu of stretching the current design of Upward Bound to include younger students, which is one of the fears I have. I believe that the intensity of the Upward Bound Program, as it is currently designed, could not withstand the challenge of adding yet a younger component and much younger students and still survive in its current design. I think the establishment of another initiative working with younger students would be more in keeping with the design of Upward Bound as it is currently constituted, and yet reaching out for the younger students, which is a very real need.

Senator SIMON. Could you summarize the balance of your recommendations? We are running out of time here.

Mr. GANGES. Sure. I am also proposing a post-secondary preparation and placement program as a combination of both educational

talent search and educational opportunity centers. I am offering a proposal for setting up an accreditation system, whereby programs would, in fact, be reviewed by quality teams in much the same way that departments in colleges are accredited, and integral to that process would be a means to identify, validate, and disseminate exemplary practices found in TRIO Programs. I'm proposing that we establish an advisory board that could work in concert with those accreditation teams and serve as a resource to, and augment the work of the U.S. DOE Division of Student Services.

I am also asking that we push for greater staff training and development, even to the point of developing training institutes of a week long or more, that there be greater coordination between programs of a similar nature, and that we recognize that there is a problem that is currently being interpreted in the division regarding duplication of services as college and universities have begun to develop efforts and put moneys into services. The question of duplication of services has come to the fore, and that question really needs to be addressed in a forthright manner; that has not yet been done.

With regard to budgetary considerations, I would recommend the establishment of a base grant which would guarantee a reasonable minimum level of funding, first for existing programs, and secondarily for newly-funded programs and initiatives. The disparity in funding levels between new programs and existing programs means that the newer programs are unable to match the quality of services for the students and that is a question that has to be addressed as well, though I feel that the new initiatives and newly-funded programs need to be dealt with after we take care of continuing programs.

I would only say the attempt is made in looking at the programs in this way as a means to revitalize the programs and develop some redesigned programs and initiatives as a means to ensure their continued development and their ability to respond to the needs of the future.

Senator SIMON. You mention the accreditation. How do we monitor right now? I have been very much impressed by the TRIO Programs.

Mr. GANGES. And you have been a long-time friend and supporter, and we appreciate it.

Senator SIMON. Yes, I am a believer; but how do we monitor it right now?

Mr. GANGES. Currently, there are three separate arms that work with the TRIO Programs. There are grants and program officers in Washington, and then there are regional offices where the programs are monitored most directly. The Division will actually send out site visitors or people to monitor the programs from Washington, but most programs, most institutions, are visited by the regional reps.

Senator SIMON. But the unsaid implication of your suggestion for accreditation is that this monitoring is not working as well as it should.

Mr. GANGES. No, it is not only not working as well as it should, it is flawed in one major way. It is supposed to also provide technical assistance; it cannot do that. It simply doesn't—it is not staffed to

do that. There is one person serving in 4 or 5 States or more, and he simply cannot get around to deal with title III and title IV institutions' programs and do a good job. No one is that skilled.

The accreditation process also offers something more than that, of course. It would provide a level of excellence and monitoring that the government cannot do. It goes beyond the issue of compliance. It starts to look at establishing the kind of academic credentials and excellence in delivery of services and programs that the regional office and the department, although interested in it, simply does not have the staff to do.

Senator SIMON. It is an interesting idea. Also your parental involvement is an interesting idea.

We thank both of you very, very much for testifying here.

Mr. GANGES. Thank you.

[The prepared statement of Mr. Ganges follows:]

Northern Illinois University

PREPARED STATEMENT OF TENDAJI W. GANGES

Thank you for this opportunity to present testimony on the Upward Bound program portion of Special Programs for Students from Disadvantaged Backgrounds. My name is Tendaji W. Ganges and for the past 3 1/2 years I have served as the Director of the Office of Educational Services and Programs at Northern Illinois University in DeKalb, Illinois.

I come to this field hearing on the Reauthorization of the Higher Education Act of 1965, as Amended, wearing several hats. I have 20 years experience as a practitioner in higher education. For more than 14 years I served as a director of Upward Bound programs in Indiana and Illinois. Previously I worked as an Upward Bound tutor, teacher, dormitory counselor, counselor, and assistant director in New Jersey. I have also been a TRIO proposal reader and have conducted formal site visits in New York and New Jersey, and "mock site visits" throughout the midwest. I have been active in several professional associations, including financial aid, but particularly the TRIO-based educational opportunity associations, where I have served on and chaired numerous committees, and have held several elective offices including the presidency of state and regional associations. I have also served on state, regional and national boards. For well over a decade I have worked both as a volunteer and paid consultant, staff trainer, program reviewer, proposal developer and writer, and speaker in the educational opportunity field.

Perhaps what I consider most relevant is that I was first introduced to educational opportunity programs in 1964 as a high school sophomore participant in one of what was a handful of the early pre-college preparatory pilot programs funded by the Rockefeller Foundation. In 1965, in that Princeton University program, I became one of the first Upward Bound students. As an undergraduate at Antioch College in Ohio I was a participant in a special admissions and supportive services program similar to TRIO's Student Support Services. I dare say that I represent a unique perspective as one of the few who was originally and has since been continuously involved with TRIO programs.

My current administration of the Office of Educational Services and Programs at NIU includes supervision of Upward Bound, Educational Talent Search, and Student Support Services programs together with several other institutionally funded pre-college and college level educational opportunity programs. (Please refer to the enclosed NIU-ESP booklet for further details.)

Although my comments and suggestions offered herein are my own, they do stem from my experiences both as a product and a practitioner, including my work with professional associations. It can be noted, for example, that for over a year I have been serving on one association's special committee charged with the development of its recommendations for the Reauthorization of the Higher Education Act regarding the TRIO programs. Thus, while I do not formally represent a particular constituency, I do speak today from a highly relevant and broad base of concerns and experiences.

The comments and recommendations made herein primarily focus upon the Upward Bound Program as requested by the subcommittee; however, in reviewing and making recommendations about the Upward Bound design and function, one must acknowledge its longstanding family relationship with the other TRIO programs. It is virtually impossible to completely separate Upward Bound from its TRIO siblings, and in this testimony there are some instances where the coordination and even the consolidation of programs are proposed. Further, in at least one instance, a new program focus is proposed in response to assessed needs and as a means to clarify existing programs and insulate them from what is considered inappropriate expansion.

Guiding these recommendations are the following concerns and objectives:

- To increase the efficiency and effectiveness of TRIO programs generally, and Upward Bound specifically.
- To encourage the continuing development of excellence and stability in TRIO programs generally, and Upward Bound specifically.
- To improve the rates of access to, persistence through, and graduation from postsecondary institutions for those from underrepresented groups.
- To enhance the ability of institutions and agencies (or any funded entity) and the U.S. Department of Education to interact cooperatively in the provision and expansion of educational opportunity programs.
- To refine and redefine TRIO program designs as a means to increase their coordination and yet further clarify their respective roles.

The recommendations are grouped under four headings:

1. Program Design and Services
2. Program Delivery Systems
3. Accountability and Commitment to Excellence
4. Budgetary Considerations

1. PROGRAM DESIGN AND SERVICES

Recommendation 1.1 Upward Bound Components

Each Upward Bound program should be mandated to include a comprehensive and intensive summer residential component of a minimum of 6 weeks and a similarly comprehensive and intensive academic year component of a minimum of 24 weeks.

There is a great deal of variance between Upward Bound programs across the country. They vary from a 8 week long commuter summer session to a 5 week residential summer component. Although each of the designs has merit, indeed the most common design is the "standard" 6 week residential summer component. While no study has definitively determined that a residential component is inherently superior to a commuter session, most UB directors express a decided preference for a residential component of at least 6 weeks. The residential aspect of the experience virtually guarantees students a full emersion introduction to life in college. The 6 week period provides at least the minimum amount of time for a comprehensive combination

of classes, seminars, workshops and field trips. The commuter program, on the other hand, must wage what is tantamount to an ongoing struggle between the program's goals and the pull of the student's home and community environment. Simple things such as the ability to control when (or even if) students study; the limitation of interruptions by students' friends; and the exclusion of television - all are diversions the commuter program is unable to address well, especially nights and weekends. The advantages of a residential program enable the UB staff to have an initial and reinforcing impact upon students that is unsurpassed.

The academic year suffers from similar shortcomings simply because the students have returned to their home communities. However, inasmuch as no program has students confined to a dormitory all year, it is clear that the weekly academic year sessions are vital to the students continuing development. Unfortunately, the cost of a residential summer components is high and inevitably commands a significant portion of the annual UB budget. Sometimes as much as half of an annual budget may be expended in 6 weeks. Therefore, UB academic year components do tend to be shortchanged.

The mandating of a 6 week summer component and a 24 week academic year component, together with the provision of suitable funding, will contribute significantly to the overall quality and impact of the UB experience.

Recommendation 1.2 Upward Bound Instruction

Upward Bound should be required to provide instruction and tutorial support for mathematics (through calculus), physical sciences (laboratory), reading, writing, and computer sciences (at least word processing) during both the summer and academic year components.

Clearly students are selected for participation to assist them in preparing for admission to and success in postsecondary education. It is equally clear that the UB students' elementary and secondary education has not fully enabled them to take maximum advantage of their potential. In the main, students are not receiving either the selection of courses or the quality of instruction that will ensure their being able to prepare for college. It is critical that UB programs fill the void here. Exposure to and support in the acquisition of college preparatory skills are essential UB services. Given students' need for strong skills in reading, writing, mathematics, physical sciences, and computer sciences, it is critical that UB programs be required to provide such services universally.

Recommendation 1.3 Services to Parents

The parents of Upward Bound students should be eligible to receive specific program services as an allowable program expense. The critical role that parents play in the education of their children is well established. What is equally well

established is the UB students' parents' lack of education and their lack of familiarity with higher education. A sincere and consistent effort must be waged to provide for the development of the parents such that they can play a more definitive and supportive role for the program and their children.

UB programs should be able to provide parents with seminars, instruction, and workshops designed to enhance their ability to support student participation in UB. Parents should be actively recruited to serve on advisory boards, serve as chaperones on college visits and field trips (with expenses paid as for staff), and even serve as residential component supervisors. Parents could also be paid a small stipend to perform parent and student academic year follow up.

Recommendation 1.4 Early Identification Program (EIP)

It is recommended that a new initiative be established to serve students in grades 6-8 (ages 11-14) in a program design similar to Upward Bound. Such a program could include a 2-3 week residential summer component coupled with a minimum of a 24 week academic year component. EIP Graduates or those who show evidence of readiness or need can be potentially be transferred directly into an area UB program at a suitable age. It would even be logical to consider funding such programs in conjunction with area Upward Bound programs in much the same way as community colleges feed into senior institutions.

The need for intervening with students even before high school has long been studied and acknowledged. The Educational Talent Search initiative to identify and serve younger students beginning in 1991-92 is just one example of the TRIO response to this concern. The longitudinal studies conducted of the Head Start Program and its successes with pre-school children is strong evidence of the worth of such efforts. However, there are many in the TRIO/ educational opportunity field who believe that simply extending or expanding existing TRIO programs to serve younger and younger students will ultimately reach beyond the limits of the TRIO programs' design capabilities. This becomes critical when one considers the logical next step - the expansion of Upward Bound to include youth from the middle schools. It is widely felt that the intensity of the program, together with the residential summer component, would have to be adjusted far beyond its desired limitations and intended design, resulting in such a significant compromise in UB that it would no longer be effective for any of its designated populations. It seems logical, then, to establish an appropriate response by providing a program design that is specifically designed for the younger student.

Recommendation 1.5 Postsecondary Preparation and Placement Program (PPPP)

The current Educational Talent Search Program and the Educational Opportunity Centers should be consolidated and offer more comprehensive services.

Frankly, there is a need for some simplification and, at the same time, some distinction between currently similar programs. The PPP Program could yet offer all of the services currently provided by both ETS and EOC, and add some other permissible services which would enhance its ability to serve students in school and out-of-school adults. It is conceivable that two levels of thrusts could be offered in a single program - one for younger students (high school and below), and a second one for the adults. In addition, the PPP Program should be able to conduct more effective college exposure to participants through the use of field trips (and the ability to pay for overnight accommodations and meals), specific workshops, tutorial services and related college preparatory activities. Further, the PPP Program is a logical resource for the development of parents to serve as field/peer counselors for other parents. In this way, the program could actually train parents to serve the larger community. Such a service can be conducted through cooperative arrangements with area colleges, public school districts, businesses, and corporations.

2. ACCOUNTABILITY AND COMMITMENT TO EXCELLENCE

Recommendation 2.1 Accreditation

There should be established an accreditation system whereby institutions, agencies, and other grant recipients must subscribe to ensure that their funded TRIO programs meet certain

established criteria for performance and operation. Criteria should be established to ensure standards for excellence in much the same manner as colleges are accredited. All funded entities would prepare for and submit to accreditation consideration prior to the end of their first five-year funding cycle. Those which fail to achieve accreditation must submit for refunding through the open competition channels in much the same way as it is done now. Those which succeed need only submit annual continuation applications, annual performance reports, and file compliance or accreditation reports every two years. Program funding approval would thus be for five years and notification of funding should be accomplished at least one year in advance to allow for appropriate planning. (See "base grant" funding proposal below.)

The accreditation process would serve to augment existing federal monitoring or could conceivably replace certain aspects of the current practices by providing more in depth program reviews.

Integral to the accreditation process would be the establishment of a means to identify, validate, and disseminate those exemplary practices found in TRIO programs. Just as teams review colleges and departments, such accreditation teams could review TRIO programs. There is no such provision for this in current legislation or the practices of the USDOE Division of Student Services. This would be an invaluable addition to the field, lending increased credence to it as an identifiable and

fully recognized profession. It would likewise add considerably to the body of knowledge to be made available to TRIO personnel, perhaps even so far as to lead to the compilation of written guides and manuals.

Recommendation 2.2 Advisory Board

There should be established an advisory board comprised of a broad variety of educational professionals who would serve an oversight function. This board could be a resource to the higher education regional representatives and the USDOE Division of Student Services for recommendations and observations. Such a body could also serve in the capacity of arbitration and appeals when disputes arise between the department and institutions.

Recommendation 2.3 Staff Training and Development

Staff training and development should be made mandatory, particularly for new directors and all new key personnel.

The educational opportunity field is a unique, young, and yet developing one. Few colleges and universities offer formal programs of study which specifically prepare professionals for work in TRIO and similar programs. Professionals in TRIO programs should be properly credentialed and prepared. Funds should be made available which ensure staff development, attendance at approved training workshops, and the availability of training and related manuals. Indeed, there should be a provision for grants to be made for the development of training

workshops and manuals.

In addition to the Staff Training currently available through TRIO, there should be a provision for the development of in-depth training through week-long institutes, perhaps, in cooperation with regionally selected universities or other selected and funded agencies. Ideally, the accreditation teams, noted above, could work with the Staff Training contractors to develop manuals and training materials that could be used at the institutes or otherwise made available to TRIO personnel.

A final concern in this area is the assistance that could be provided to the Division in developing a USDOE-TRIO Policies, Practices, and Procedures manual which could then be disseminated to TRIO personnel. Currently, TRIO staff must learn the "how" of interacting with the USDOE through trial and error, an inefficient and sometimes dangerous method.

3. PROGRAM DELIVERY SYSTEMS

Recommendation Coordination Between Programs

Coordination with other federal and non-federal programs with similar thrusts/goals should be permitted. The issue of "duplication of services" must be addressed in such a way so as not to discourage institutions, public school districts, businesses, and corporations from contributing resources and extending programs' reach beyond the restrictions of the "non-regulatory" but currently held convictions of grants

and program officers.

Presently, institutions find themselves in conflict with USDOE interpretations of what represents a "duplication of services" of one or more TRIO programs. Services as simple as tutoring were not universally made available to college students back in the mid-1960s when TRIO first came upon the scene. Today, however, universities have secured or otherwise funded in a limited way some services and programs at the pre-college and college levels that are similar to TRIO programs; in some cases spawning charges of duplication which have threatened the funding of existing TRIO programs. It should be noted that the TRIO programs were first funded on the basis of the 80-20 rule, where the federal funding could amount to no more than 80% of the total direct costs of the program and required a 20% institutional contribution. While that arrangement was dropped many years ago, higher costs and the need for increasingly greater services has prompted many institutions to provide, if not truly matching funds, then at least supplemental monies and services to shore up programs that had seen inflation and added thrusts threaten the program's effectiveness. Unfortunately, such efforts by colleges is often now interpreted by USDOE as being a duplication of existing program services.

Simply stated, a means must be determined to enable the TRIO programs to co-exist with supplemental funding and similarly designed services.

4. BUDGETARY CONSIDERATIONS

Recommendation Base Grant

A base grant should be established which guarantees a reasonable minimum level of funding, first for existing programs, and secondarily for newly funded programs and initiatives. At the same time, the priority should always be to provide ongoing programs with sufficient funding, allowing for annual cost of living increases. The base grant should be adjusted annually and regionally determined based upon regional standards of living.

There is a significant disparity in funding levels between programs, often serving virtually the same number of students in the same areas. Such differences may have come about as a result of the initial funding having occurred at very different times. However, except for significant differences in program designs (e.g. a program with an 8 week residential component versus one with a 5 week commuter component), such disparities likely also represent widely divergent levels of student services.

Each year the USDOE struggles with limited funds attempting to balance the continuation of existing programs, underwrite new initiatives, and fund newly successful applicants. The result is a compromise that usually neither satisfies nor meets the needs of any grant recipient. Continuing programs lose ground in the battle with cost of living increases, new initiatives are barely able to get off the ground, and new

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applicants are usually significantly underfunded. The bottom line is that the students at the end of the pipeline suffer.

It is thus proposed that funding priorities be set which will recognize continuing programs first and only then look to new programs and initiatives. It might be noted here that the accreditation process described briefly above should assist in addressing this area of concern.

CONCLUSIONS

Although the TRIO programs are perceived as a family, the fact is that each of the programs was the result of separate legislation and there was scant attention given to their compatibility or tendency to overlap. Just as the passage of time has prompted the initiation of new programs as needs became evident and funding became available, today we face new demands. The war against poverty demonstrated how tough the enemy is, the big funding growth years have passed, and the programs and their designs really must be revisited. Today the TRIO programs serve well under 10% of the eligible population and the numbers of people who need TRIO services is growing. Just as demanding, the times require ever more persistent and sophisticated services. In many areas of the country the programs have had little of their intended long range impact. What is quite clear is that the programs must be looked at carefully through today's glasses.

There is a need for an earlier outreach effort using proven TRIO methods of preparing, nurturing, and placing. There is a need to offer more comprehensive services at each level. And there is an even more pronounced need than perhaps ever before to have as much impact as possible from the available resources.

The recommendations presented above represent one such attempt to revitalize the programs (with an emphasis on Upward Bound), to develop revised program designs and initiatives, and to provide for a means to ensure their continued development and ability to respond to the changing needs of the future.

Respectfully Submitted,

Tendaji W. Ganges

Tendaji W. Ganges
Director
Educational Services and Programs
Northern Illinois University

Wednesday, 27 March 1991

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Senator SIMON. Let me add, the testimony goes to my colleagues on the subcommittee and their staffs; then, we go through and refine it, probably take, I hope, some of the better ideas, and move from there. So, we thank you both very much.

I have two people who have requested, and I am going to limit anyone else who wants to speak to 3 minutes.

Victor Carranza, who is at Northern Illinois University; he is a senior there. Pleased to have you. If you have a formal statement, we will enter the statement in the record; if you can just summarize that in 3 minutes, because I want to get some other people in here, too.

STATEMENT OF VICTOR CARRANZA, STUDENT, NORTHERN ILLINOIS UNIVERSITY

Mr. CARRANZA. It is probably less than 3 minutes, Senator.

My name is Victor Carranza; I go to Northern Illinois University. I am a fifth-year senior. My major is communication studies, and my minor is Spanish.

I began college in 1986 upon graduation from Benito Juarez High School in Chicago. My first year of college, I financed my education with the Stafford Loan Program as well as personal and parental contributions. This was sufficient for covering tuition and room and board during my freshman year. During my first year, I learned that I was no longer eligible for the Stafford loan, because it became a need-based program. When my Stafford was taken away, I no longer had the ability to finance my own education. I was told that, because my parents were middle-income, I was not eligible for either grants or loans.

My second year was financed by summer employment, a part-time job during the school year, and continued support by my parents.

During my third year, NIU's tuition was increased and, along with cost-of-living increases, it became evident that the previous methods of financing my education were no longer sufficient. My only alternative, as a dependent student, was for my parents to take out a PLUS loan. Since then, my parents have taken out over $12,000 in PLUS loans.

The reauthorization of the Higher Education Act of 1965 in 1986 denied me the opportunity to finance my own education. The consequences of this have, unfortunately, had a drastic effect on my family and myself and my future. In February of 1991, my father was laid off from his job, and his current income is not enough to handle his debts. Those debts include over $150 a month on the PLUS loan. My father is on the edge of bankruptcy. Furthermore, because I had to work part-time during the school year, my grades have suffered all 4 years. It has taken me 5 years to graduate, and my ability to seek further education is in question.

Additional consequences of this include the fact that I will have to seek a job that pays the most money. I made a commitment to myself to return to my community after graduation to help others attain the same level of higher education I had. Unfortunately, I will not be able to do this because of my financial commitments. I do not want to default on any loans.

To ensure that other students do not fall into the same predicament as me, I believe that middle and moderate income students should be eligible for Student loans.

The PLUS Program should be modified or eliminated.

Right now, the PLUS Program has a high variable rate of interest and difficult repayment schedules. Parents must begin repayment within 60 days after the loan; and, if the parents defer the payments while the student is in school, the government does not subsidize the interest during deferral. The PLUS loan is not an adequate alternative to the Student loan.

In conclusion, I would just like to say that students need help in their struggle to obtain a higher education, not hindered by idealistic policies that have a drastic and realistic effect on students as myself.

Senator SIMON. If, in fact, you are in a situation where your parents are declaring bankruptcy, if you were eligible for Pell Grants and we were to increase those, that would be better for you than a loan program, than Student loans?

Mr. CARRANZA. Most certainly. One of the things that—if I were to continue my education now and if my father were to declare bankruptcy, then I would now become eligible for the grants that I could not have in the first place. So, as a consequence of having the loans out, I will now be eligible for the grants that I was not eligible in the first place. [Laughter.]

So, it is kind of a Catch-22 situation, Senator.

Senator SIMON. You're majoring in what?

Mr. CARRANZA. Communication studies.

Senator SIMON. And are you thinking about graduate study at all?

Mr. CARRANZA. Yes, sir, I am. I am thinking about law school. But, currently, because of financial commitments, I am seeking employment; and, because of the recession and other economic things out there, it is very difficult to find a job right now.

Can I send you a resume? [Laughter and applause.]

Senator SIMON. You are going to do well, let me tell you. [Laughter.]

We thank you very much, and wish you the best; and thank you for taking the time to be here.

Bill Carson has been a leader in the proprietary sector in the Nation, and I am pleased to have him as a constituent from Illinois. Do you want to add a word or two here?

STATEMENT OF WILLIAM CARSON, PRESIDENT, AMERICAN TECHNICAL INSTITUTES

Mr. CARSON. Well, I appreciate this last minute addition.

I have a couple of things I would like to say. You really sort of anticipated my major point, but I would like to go through it anyway.

Just for the record, my name is Bill Carson. I am president of American Technical Institutes, past chairman of the National Association of Trade and Technical Schools, and have operated and managed private career schools for almost 25 years.

We will be submitting detailed recommendations on reauthorization, so I will not attempt to deal with any of those this morning.

I would like, however, to say just a few things about what I believe to be the essential purpose in the major reconsideration of financial aid at this time. The goal is the assurance of a skilled work force by providing the opportunity and choice for all people to obtain the education they want and is appropriate, whether it be a short program to learn to be an automotive mechanic or a genius taking years to combine the study of medicine with microbiology; the 35-year-old former auto worker who never finished high school must have the same opportunity as the current Merit Scholar. We must recognize demographic changes and urban situations. The skilled technician is as essential to the success of the United States as the research chemist.

At the same time, we must assure that all education is as effective as possible. All sectors of post-secondary education must serve students well, spend funds well. There is no room for the waste of either.

I would like to just briefly close with the thought that you brought up earlier, with a couple of thoughts before I do. Monday I spoke with one of your colleagues from the House, who compared the cost of 1 day of Desert Storm, or Desert Shield, with what we spend on education. Sam Halperin, in *The Forgotten Half*, pointed out that, in the peak year of the GI Bill, 1 percent of our Gross National Product was spent on that program. In 1988, if we had spent a similar amount, it would have been $45 billion, and I suspect, without knowing, that in 1988 we spent—it would be 20 percent of that for the Federal government. I don't know the figure.

We must devote more of the investment in people. We must treat young people as assets, not as problems. We must deal with incentives, and not penalties.

I know you are facing major problems with the Budget Reconciliation Act and its provisions. That is why I was so interested in the suggestion you made about the oil import fee. I cannot commit our organization to that, but I certainly would explore it with them. At first, my reaction is it sounds like a great idea, because we have to get more funds spent on the investment in people through education, and not always be looking how we divide up and spend what is an insufficient amount today.

Again, I appreciate very much this last minute addition, and I will try to get this in writing to your staff.

[The prepared statement of Mr. Carson follows:]

PREPARED STATEMENT OF WILLIAM C. CARSON

Mr. Chairman, my name is Bill Carson. I am President of American Technical Institutes and Past Chairman of the National Association of Trade and Technical Schools. I have been responsible for the management and operation of a wide range of private career schools for over 23 years. These schools have included the DeVry Institutes in the 1970's with 15,000 students in eight schools taking degree and non-degree programs in electronic technology and in the last twelve years, much smaller schools offering diploma programs in several fields, including allied health and automotive mechanics.

I know how effective private career schools can be in meeting the varied needs of employers and the needs of students from a wide range of backgrounds.

NATTS and AICS together will submit detailed reauthorization proposals within the next two weeks; so today I would like to speak of basic goals, not details.

The reauthorization of the Higher Education Act comes at a crucial time. The success of our economy, and indeed our society, will depend on our ability to prepare all people to participate in the U.S. workforce and at the same time recognize the changes in the US population and major urban problems. An effective system of federal aid to students in postsecondary institutions can be the key to reaching these goals.

Quite simply, the goal of reauthorization should be the alteration of the system of financial aid to assure the maintenance of a skilled workforce by providing the opportunity for all people to obtain the education they want and that is appropriate - whether it be a short program to learn to be an automotive mechanic or a combination of medicine and micro-biology stretching over many, many years. The thirty-five year- old former auto worker who never finished high school must have the same opportunity as the eighteen year old merit scholar. The skilled electronic technician is as essential to the success of the US economy as the research chemist.

There can't, however, be only a more effective method of providing financial assistance to individuals. All post- secondary institutions must seek to provide the most effective education possible. Students must be well served, funds well spent. A city community college with a reported three percent completion rate, a chain of cosmetology schools whose owner is convicted of fraud, a university that conducts classes with hundreds that overflow into other rooms, a propriety school that loses its accreditation, a university that graduates a football player who can't read - none of those situations should be allowed to persist. If they are allowed to continue, public confidence in all of education could be further eroded.

Further, it is essential that we find ways to increase the investment in education, to re-establish investment in the future. The comparison of one day's expenditures for Desert Storm with funds devoted to education is illustrative. Sam Halperin has pointed out that in the peak year the GI Bill was one percent of our GI Bill. The comparable figure in 1988 would have been $45 billion.

We should deal with incentives - not penalties.

We must treat people as assets - not problems.

We must invest in people, the return will be enormous in both economic and human terms.

Thank you.

Senator SIMON. All right, I thank you. Let me just ask, in terms of the suggestion: Obviously, no one gets to be really wildly enthusiastic about taxes; but, if we are to do the job that needs to be done in this Nation, we are going to have to talk about revenue.

Mr. CARSON. Absolutely.

Senator SIMON. Do you think your colleagues with whom you associate in the education field would be willing to stand up and say "We need this?"

Mr. CARSON. I believe so. I cannot——

Senator SIMON. I understand.

Mr. CARSON [continuing]. Make that definite, but——

Senator SIMON. I am not asking for it.

Mr. CARSON [continuing]. I will certainly explore it with them, and my opinion would be that they would.

Senator SIMON. Yes.

Mr. CARSON. I think one of the great appeals to it is that we have to support education from the lowest income through the middle income, and this would have a broad appeal. So, I think it could develop that kind of support, and it is certainly that range of support that we believe is proper.

Senator SIMON. I thank you very, very much.

Mr. CARSON. Thank you very much.

Senator SIMON. Is there anyone else? We can take a couple of more 3-minute statements. Yes?

Because you have testified already, let the woman in the back. If you could come up here and give your name and, if it is complicated, spell it for the reporter here.

STATEMENT OF ARLENE OLINSKY, EMPLOYEE, NEW YORK STATE GUARANTY AGENCY

Ms. OLINSKY. My name is Arlene Olinsky, O-l-i-n-s-k-y. I apologize for this last minute—I am actually coming from a multi-state, multi-disciplinary perspective. I currently work for a New York State guaranty agency. I will be transformed soon to a Chicagoan, working at Chicago State University.

One of the partners I don't believe I've heard mentioned here today are the States. The State Student Incentive Grant Program, which was started in 1972 to encourage States to get into the financial aid business, was very successful and continues to be successful. It matches Federal funds with State funds for student financial aid. I think that program, or a similar program, should be expanded to continue to keep States in the financial aid business. It is a good return on Federal funds, if you ask for matching or better funds; every Federal dollar gets a State dollar match. Students are the benefactors.

That is basically the idea that I have.

Senator SIMON. All right. I thank you very, very much. If I may ask you, what do we do for States? There are still States, like the State of Nebraska, that have just done nothing yet. What do we do beyond the present program; or is there anything that can be done to get those States aboard?

Ms. OLINSKY. It may be that they need to get some starter help; that is, a technical assistant, some short period of funding where

matching is not required, so that the students and faculty—the constituents, basically—would benefit and perhaps we would lend some impetus to political movement within that State. So, a short period of technical assistance and maybe nonmatching requirement.

Senator SIMON. All right, thank you.

Ms. OLINSKY. Thank you.

Senator SIMON. Any others here?

STATEMENT OF THOMAS WENMAN, DIRECTOR OF FEDERAL RELATIONS, ILLINOIS STUDENT ASSISTANCE COMMISSION

Mr. WENMAN. Senator, my name is Tom Wenman. I am director of Federal Relations for the Illinois Student Assistance Commission.

Senator SIMON. Can you spell your last name for the reporter?

Mr. WENMAN. Sure. W-e-n-m-a-n.

We have been blessed in Illinois with quite a bit of support on the State side. We have a State grant program that is third in size in the country, following only behind Pell in the New York State Grant Program. We administer both student loans as well as grants and scholarships.

We have also been blessed with State support that has allowed us to create an unsubsidized Stafford Program, which I believe is only the second that operates in the country.

A few short comments. One, in particular, in the area of quality of education. In taking a look a look at what we really want out of the system, it seems we have spent a lot of time taking a look at ways to fix instead of what we really want the system to do. Yet, quality of education really has to rate very high on that list. Whether we are looking at loans or grants or whether we are looking at self-financed education, the individual deserves a quality education from that investment. If they have loans, they need an education that allows them to go out and earn an income to repay that loan.

The country itself deserves a well-educated populace, one that contributes, one that competes internationally, one that can reap the benefit that this country and a good education will allow. This needs to occur regardless of whether the education is provided by a public institution, a private institution, or a proprietary institution. We need to understand that an educated work force is, at least, a partial solution to many of our domestic problems, including such things as unemployment, trade deficit, military strength, crime, welfare, just to mention a few.

We need to emphasize completion, instead of simply enrollment. We need to provide some early intervention to improve high school graduation rates, family understanding in preparation for college, and financing of that decision.

We support the series of other issues that are under consideration, including increases in grant and loan maximums, continuation of current partnerships with private lenders, simplification of aid delivery and need analysis, and the change of grant and loan mix.

As a closing comment, one thing that we need to all keep in mind, and it is easy in a situation like we are faced with, reauthorization, to take a look at what we need in our own little world. Yet, the direction that reauthorization needs to take is one that benefits the student. We need to remember that the student is our ultimate client of these programs.

Thank you.

Senator SIMON. Yes. Can I ask you just one question? You have had a chance to look at the big picture.

What is your reaction to this idea of the direct lending?

Mr. WENMAN. The direct lending. In taking a look at that when there is very little to take a look at at this point, there is very little that has actually been put in print, so it is a concept that is floating around.

I would tell you that there are some advantages that are offered through direct lending that do not need direct lending to occur. Comments were made earlier today about simplification of the loan process. I think there are things that can occur under the present system that would make simplification occur and would give us many of the attributes that are being put forth as attributes of a direct lending system. There is a lot of support that has come from private funds over the last several years, and I think that partnership has worked fairly well. There is a time now that we again take a look at our need to look at the student as the center of things, and I think, if we really concentrate on that, that there are some additional changes we could make that would again give us the advantages, many of the advantages that are looked at in the direct lending system.

I don't have, at this point, a dollar and cents answer to that one.

Senator SIMON. Well, I just wondered.

Mr. WENMAN. My feeling at this point is that really needs some work. I think there are some things that have been missed in the analysis so far, but some attributes at a minimum that we do need to take a look at.

Senator SIMON. Larry Matejka from your office, I think, is going to be testifying, and we are going to have a hearing in Springfield—when?

Mr. SHIREMAN. May 13.

Senator SIMON. May 13.

Any one final person that wants to get a word in?

If not, Sharon Parrot, you were trying to get a word in. We will let you get a second word in here. [Laughter.]

Ms. PARROTT. Just a quick word, because you asked a question earlier that I think I gave a technical answer to, and I should have given a more political answer to. Tom actually said some of it for me, so I think that all I will really say is I think the real question that needs to be debated in reauthorization is: What will the cost be if we don't adequately fund education? That ought to be the debate, and a step in the right direction is the Pell grant entitlement. We need to be at a point where we ask that question rather than how much will it cost, because we don't ask that question when we go to the moon or go to war.

So, I think we need to ask: What will it cost to fight the war on education and win?

Senator SIMON. And, in comparison, while we face what was generally perceived as the probability of a threat to our ultimate security in the Middle East, we face the certainty——

Ms. PARROTT. That is correct.

Senator SIMON [continuing]. Of a threat to our future if we do not provide, or do better in this field of education here in this country.

Let me thank all of you for being here.

[Additional statements and material submitted for the record follow:]

PREPARED STATEMENT OF CHRISTOPHER DIDATO

Hello, I am Christopher Didato, a student from the University of Illinois at Chicago, and an elected member of the Undergraduate Student Government, representing the UIC student body.

The Reauthorization of the Higher Education Act of 1965, which established the financial aid presently available, has an impact on access to post-secondary education for students today and in the future.

As a full-time student, I have personally encountered problems with the current United States Department of Education regulations for financial aid, and as an informed student leader I have reflected on the issues concerning the Reauthorization of the Higher Education Act.

The price of tuition has constantly increased over the past sixteen years, whereas the funding of Federal student aid programs has not kept up with tuition. Over the past ten years, funding of grants to loans has changed considerably, with funds for grants remaining stable and funds for loans escalating.

To solve the imbalance of grants to loans, the Pell Grant should become an entitlement program for students in their first or second year because all students eligible for the grant will receive it. This would help to increase the attendance of low income people in higher education. There needs to be an adjusting of income for inflation for those eligible for the Pell Grant, so that those middle class students can afford to attend higher education also. The State Student Incentive Grant is essential to states in assisting them to match the U.S. Department of Education's funds for state grants.

The Perkins Loan program must continue to be funded. The money paid into the Perkins Loan programs must be used to fund future students' educations and the interest subsidy on the loans should increase. This loan program is significant because it's the most manageable for low income borrowers.

The Stafford Loan program should be easily accessible to middle income students, and its annual maximum should be increased to $4,000 for first and second year students, and $6,000 for third and fourth year students, and $10,000 for graduate students. Also, an undergraduate Stafford Loan should not require a cosigner.

The time required for the disbursement of loans should be made shorter, so that students can receive the loan and use it for their pressing needs. The problem of loan default can be managed by allowing for deferments for the following reasons: 1) students are attending school; 2) students are unemployed; 3) students have temporary disabilities. In this manner students will be allowed time to pay the loan given their individual circumstances.

The College Work Study programs need to continue funding students working at non-profit organizations and College Work Study should be paid above the Federal minimum wage. The College Work Study award given to students should reflect the total Federal dollars they may receive, not total wages students may earn. The Federal government's share in the College Work Study program should increase to 80%.

Another issue I am quite familiar with is the definition of an independent student used by the U.S. Department of Education. The definition for an independent student states that the student should be twenty-four years old, be an orphan or ward of the court, be a U.S. veteran, or have legal dependents other than a spouse. If a single undergraduate student has earned more than $4,000 for two years before the award year, and was not claimed as a tax exemption for that time, the student is also an independent student. For graduate, professional, or married students, they need only declare they will not be claimed as a dependent for the award year.

These definitions for an independent student restrict students with actual need for grants from receiving aid. The definition should be changed to allow students that are financially independent from their families, whatever the students' ages or incomes, to be given assistance. Through changes in the definition for an independent student, single students will be able to get aid, helping them to continue their education.

In this current Reauthorization of the Higher Education Act an institution's financial aid administrators should given guidelines for evaluating and changing an individual student's independent status and aid awards. The U.S. Department of Education can train administrators to use such guidelines, and create a manual filled with possible cases, and types of aid and amounts of aid for those cases for use by the institution. Through these guidelines, a student with need, whose status does not match U.S. Department of Education regulations, can be seen as a human, and an administrator can act to change their status so they may continue their education.

The working student should not be penalized with having to pay a large percentage of their tuition because they earn an income. Also, those students that work and save before the award year should not have their savings count for income. This way of counting assets separate from income does not allow students to save. This type of counting assets should be eliminated through changing the treatment of assets in needs analysis.

Those students that are in Federal aid programs and receive financial aid should not have to count the student aid they receive as income. If they do place the student aid as income it will effect their membership in the Federal aid program and they may need to drop out of higher education to stay in the aid program.

Incentive programs should be developed in the Reauthorization of the Higher Education Act to be implemented at the institutional level with money provided from the U.S. Department of Education. These programs should include campus childcare programs, bilingual remedial programs, and evening hours for student services such as counseling and financial aid for working students in evening courses.

The application that students fill out to receive aid can be improved in the following ways:

1) require one form be use by all students in the U.S.;
2) create easy to fill out and use applications;
3) eliminate any cost to students to submit an application;
4) create a shorter "update form" to reapply for aid [unless a student's financial situation changes].

A simpler application process must be made available to students from low income families, one which allows these students to apply without a needs analysis in their application. Without the analysis, these students understand they will receive aid, and may be told an amount from a counselor, avoiding the usual process through the bureaucracy. So low income students will then be given a simpler process in getting aid, thus they will not be discouraged in applying for aid or in continuing their education.

The main goal of financial assistance is to improve access to post secondary education to those with need. In this nation, those who are poor or Black, Latino who are college age do not attend colleges or universities. Over the past years there has been an active publicity campaign by the U.S. Armed Forces for GI Bill, especially in the White, Black or Latino media. Such a campaign should be launched for higher education financial aid programs through the Reauthorization of the Higher Education Act. Those who are poor or Black or Latino should be targeted with the message that financial aid programs are easy and higher education is accessible. And with appropriate changes in the U.S. Department of Education's current policies, access can be a reality.

HIGHER EDUCATION REAUTHORIZATION ACT OF 1991

TESTIMONY TO SENATOR PAUL SIMON

MARCH 27, 1991

PEGGY CONNOLLY, ED.D.

An educated populace, a skilled workforce, and a citizenry that enjoys a quality life are goals within our reach. The speed with which we will achieve these goals depends upon our willingness to commit resources. The Higher Education Reauthorization Act allows you, Senator Simon, to demonstrate your commitment to fulfillment of these goals. Elimination of barriers to educational access should be the priority of congress when it establishes educational policy. The Higher Education Reauthorization Act must emphasize programs that equalize opportunity for education.

Title III

Insofar as possible, racial, cultural, ethnic, or linguistic quotas should not be prescribed at the national level. National efforts and policies should be directed at eliminating barriers to education for all. To restrict access to resources because of federally designated targets encourages manipulation of programs, promotes a scramble for money based on greed rather than need, and subjects the solution of educational problems to political influences. Once preferences become law, it is difficult to redirect resources as necessary.

In recent times we have been challenged with unexpected needs from culturally diverse groups. The influx of Southeast Asian and Latin American refugees, the elimination of exit restrictions in Eastern Europe, unrest in the Middle East have resulted in new populations that require education and employment training. Local colleges are best able to determine strategies for serving under-represented groups because of their flexibility in identifying and addressing changing needs. By specifying preferences at the national level, the ability of local colleges to

access resources to address emerging needs is limited. We must find solutions to problems by addressing inequities, not labels.

Title IV Part 2:

Subpart 2: Reserving SEOG for students in specific careers such as teaching, other public service careers, or critical skill needs may not have the desired results. Students needing money to continue education may have no qualms about pursuing a degree in specified areas with no intention of ever working in the field. Double majors are not difficult, particularly if one pays for the other. Perhaps it would be wiser to promote these careers by funding programs, rather than students.

Another alternate approach might be to provide resources for partnerships with business, scientific, education or technological organizations. College of DuPage, for example, participates in a mathematics and science mentoring project. Professionals in math and science fields sponsor interactive career days in area schools. Junior high students are later hosted in the workplace and at the College of DuPageby teams of mentors. The program provides hands-on activities with mentors in a variety of math, science, engineering, and technology fields. It promotes awareness of the academic requirements for entry into these careers, and exposure to the opportunities available. This integrated partnership includes over thirty educational, community, business, scientific, and government organizations who share resources and responsibility for educating our young people.

Subpart 3: Requiring states to target grants for special skill needs, such as high demand technical occupations as nursing or programs that encourage women to enter under-represented areas such as engineering, math and science may pose some of the same problems. But in addition, there is another aspect that should be considered.

The fundamental problem in some high demand occupations is not lack of preparatory programs. The problem is that workers leave the field, or are discouraged from entering it. Until working conditions in careers such as nursing improve, until sexual harassment no longer stymies performance and advancement, until women no longer have to choose between caring for children and working, these fields will continue to present problems. It is important to fund programs that encourage study in these careers, but at the same time these issues must be addressed. Resources will be used to train people whose idealism is tempered by the realization that the demands of the profession are destructive to their personal lives.

Subpart IV Part C: If college work study funds are made available only to students in jobs involving their principle fields of study, students may be put in a position that compromises their integrity and undermines the intent of the act. If jobs are available to students in specific programs, there is incentive to enroll with no intent to pursue a career in that area.

Title VIII

Education has unlimited demands and limited resources. Legislators and educational leaders must identify priorities and focus efforts on these. Resources directed into facilities limit the potential benefit to geographically specific areas. This is not the most equitable use of federal monies. The same resources put into programs and training, particularly because of advanced technologies that allow global dissemination of information, can be used to benefit millions of students.

It is more appropriate to use state and local funds for facilities. It has become evident in the attempt to close obsolete government facilities and to build new ones that politics predominate. Appropriateness and need become secondary considerations. Efforts should be focused on securing resources that will provide opportunities, access, and quality education to the greatest number.

In addition, please consider these perspectives on financing education:

1. The emphasis for financial aid should shift from loans to grants:

   A. The cost of administering the loan program is excessive.

   B. Federal lawmakers should be reminded of the historically-created prejudice of minorities against loans.

   C. At-risk students, whether economically or academically disadvantaged, are most often in need of financial assistance. Although education is essential for them to overcome their disadvantages, at-risk students are often unwilling to incur financial encumbrance and risk failure, particularly if their prior academic experiences have been unsuccessful.

2. Federal financial aid rules, regulations and application procedures should be simplified for the user's sake. Seasoned financial aid professionals have difficulty navigating the current abstruse regulations. At-risk students in particular are frustrated in their attempts to gain access because they are unable to overcome the barrier posed by the financial aid application process.

3. Federal funding should be continued for programs, e. g., the Fund for the Improvement of Postsecondary Education, that are designed to nurture and recognize minority academic achievement. However, the federal government should not allocate all its funding for under-represented groups to "student development" programs. The focus of this fund has gradually shifted away from academics to support services. Support services are necessary, but a balance between support services and academic programing must be re-established.

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April 5, 1991

COMMITTEE ON LABOR AND HUMAN RESOURCES
UNITED STATES SENATE

Field Hearing on the Higher Education Act
Chicago, Illinois

Written Testimony of Mary E. Hurley, Attorney
Legal Assistance Foundation of Chicago

I am a staff member at the federally-funded legal services program charged with providing free legal representation to the poor in the City of Chicago. The Legal Assistance Foundation of Chicago (LAFC) serves clients in six offices in Chicago's poorest neighborhoods and in a central, downtown office. At LAFC, I have represented many clients who have been victimized by for-profit trade school abuse of the federal student financial aid program. I also specialize in welfare-to-work issues. In that role, I have been involved in the implementation of the Family Support Act in Illinois and have become familiar with city and state programs designed to provide education, training, and job search assistance to welfare recipients and the unemployed to enable them to find employment.

I am convinced that the availability of affordable, quality vocational education which is responsive to the demands of the labor market is critical to a successful transition from welfare to self-sufficiency for my clients. However, I am equally certain that the existing statutory scheme for regulation of higher education has not been effective in preventing fraud and abuse by unscrupulous for-profit trade schools and is inadequate to ensure access to quality vocational education.

I am providing testimony to the committee on behalf of a number of low-income clients who have been recruited by poor quality or fraudulent for-profit vocational schools and have incurred large student loan debts to attend them. They received little or no useful training and are unable to get jobs. As a result, they are in default on their student loans and cannot get additional financial aid to pursue quality education for employment. In addition, these once-motivated students have become discouraged with the educational process and insecure about their ability to ever become employed -- surely a significant social cost as well. When tax dollars for student financial aid are allowed to subsidize fraudulent for-profit trade schools, money and energies that could be used to secure quality vocational training for today's work force are wasted. Access to bad trade schools is not access to education for employment or a way out of poverty.

I would like to give you some examples of the problems LAFC's clients have had with for-profit trade schools and then to summarize and urge the committee to consider the amendments to the

Higher Education Act which have been proposed by Brooklyn Legal Services and the City of New York to remedy these problems.

In 1987, a team of LAFC lawyers led by supervisory attorney Alan A. Alop filed a class action lawsuit against the owner of D'Or Beauty Schools alleging violations of the Racketeer Influenced and Corrupt Organization Act. The suit charged that D'Or had defrauded over 1,500 students by purporting to operate a school of cosmetology when in fact the school was a sham without a curriculum, teachers, or adequate facilities.

The experiences of the named plaintiff are typical of those of the 1,500 class members and many vocational school students: Mariluz Rosario, a welfare recipient, responded to a D'Or ad which promised "complete beauty culture training [that] won't cost you a cent. Government grants available." At the school, Ms. Rosario was told that her education would be completely financed by Pell grants, she would receive a stipend of $100 per month, classes would be taught in Spanish, and she would be working within a year. School officials filled out all the "grant" applications for Ms. Rosario to sign -- they were actually applications for loans. After two months, Ms. Rosario's stipend stopped and she was asked to pay back $200. The next two months, there were no classes in Spanish. Spanish-speaking students had nothing to do except stand around all day. Ms. Rosario asked for her school records so she could transfer, but D'Or refused. Finally, Ms. Rosario became so discouraged that she stopped attending after 11 weeks. D'Or kept

70 percent of her tuition. Ms. Rosario now owes over $4,000 in student loans.

Other students told of having to pay fines for missed classes and fees to take final exams. Classrooms flooded and the school was infested with rodents. Teachers had extremely large classes and often were absent. Few D'Or students took the state licensing exam for beauticians each year and fewer passed. High percentages of D'Or students defaulted on their loans. In 1989, a jury found in favor of the students and awarded them $640,240 in damages, which will not cover repayment of their loans. D'Or appealed.

The problem of unscrupulous proprietary schools is by no means an old one which has since been resolved. LAFC attorneys are currently handling or have recently handled cases where, for example, clients have discussed enrollment at a school in Spanish and been promised Spanish language instruction, then been advised to sign English contracts and loan applications which they did not understand and given no Spanish instruction. School recruiters (paid on commission) have filled out applications for loans for clients who have told the recruiters they are not United States citizens or are already in default on student loans (and therefore are ineligible for federal financial aid). The students are responsible for repaying the loan amounts obtained by the school before the Department of Education becomes aware of the mistakes.

LAFC attorneys regularly see clients in their offices who, desperate to get off welfare and often illiterate or unqualified to

complete the training, have been enticed by schools that target their marketing efforts in poor neighborhoods and advertise "award-winning instruction," falsify placement rates, and promise spending money and unrealistic salaries upon course completion. The schools set tuition as high as possible, in order to obtain the maximum financial aid for the eligible low-income students they enroll. They structure class schedules so that as much loan money as possible comes in in the first few months of the course. Once they are enrolled, students find inadequate equipment, inferior study materials, shortened classes, and poor instruction. Many clients lose interest and drop out. But unless they understand the loan process and notify the schools promptly of their withdrawal (or consult a lawyer), they may not secure the refunds they are entitled to on their loans. Schools have been known to falsify signatures on loan checks even after being notified that a student has withdrawn. Students that do finish courses do not receive any job search assistance and are not equipped with the skills to become employed. Often, salaries are so low in the fields for which they have been trained -- e.g., beauticians, medical assistants -- that clients cannot earn enough to repay the loans even if they do find jobs.

The students who have been plaintiffs in the lawsuits described above are the "lucky" ones. The problems they have encountered are glaring enough that they sought out lawyers in time to assert claims against the bad schools they attended. They were able to secure relief to repay at least a portion of their student

loan debt. But for each of these students there are hundreds for whom no remedies are available. Many poor quality schools are undercapitalized and financially unstable. These schools close or file bankruptcy before students complete their courses and do not leave enough assets to repay the students even if the students were to assert fraud claims. They frequently reopen under different ownership.

Some students are not even aware that they have borrowed money, move on, and do not realize they owe until the lender tracks them down -- often long after the statute of limitations for bringing claims against the schools has expired. Many low-income students have had no good experiences with the educational process and have very low expectations when they enroll in trade schools. They do not realize that the training they are receiving is inferior and blame themselves when they become bored and leave school. It does not even occur to them to complain about the school or secure repayment for their loans. In all of these cases, low-income clients' paths to quality vocational education and opportunities for employment are blocked because they cannot afford to pay for school on their own, but cannot obtain any more financial aid because of their defaulted loans.

Legal services attorneys in New York City, working with the City of New York Department of Consumer Affairs, have developed proposed amendments to the Higher Education Act which seek to remedy the problem of proprietary school abuse of the federal student aid program. I understand that the City of Chicago

Department of Consumer Services supports some of these proposals as well.

The proposals have two basic themes. One group emphasizes improving the quality of for-profit trade schools up-front in an effort to reduce student loan defaults. The amendments propose to do this in the following ways:

(1) Improve the independence and effectiveness of the trade school accreditation process (schools must be accredited in order to participate in the federal student aid program). Under the proposed amendments, accreditors would be required to evaluate each branch of a school separately; conduct annual, on-site, unannounced visits to schools; terminate accreditation if a school's license has been revoked in any state; and maintain accreditation decision-making bodies which are independent of the schools they accredit. The proposals also close loopholes in 1989 amendments to the Higher Education Act which permit the Secretary to second-guess a license revocation or termination of accreditation;

(2) Certify proprietary schools for participation in the federal student financial aid program only if the school demonstrates a student completion and job placement rate of at least 60 percent;

(3) Address the problems of trade school "branching" and sale of trade school financial aid eligibility by requiring that branches of trade schools and trade schools with new ownership be considered new institutions for the purpose of the Higher Education

Act requirement that schools be in existence for two years before becoming eligible for the federal student aid program;

(4) Strengthen the requirement that students enrolling in trade schools without a high school diploma pass an approved, independently administered test by requiring that the G.E.D. (General Educational Development) test be administered. Also, apply the independent testing requirement only to proprietary vocational schools, not public and not-for-profit institutions; and

(5) Ensure the financial soundness of proprietary schools participating in the federal student aid prograam by requiring that schools maintain sufficient assets to provide the educational services described in their official publications and comply with federal regulations, including making timely refunds.

Another set of proposals attempts to ensure that students who have attended low-quality proprietary trade schools are treated fairly in the loan repayment process so that they may re-establish eligibility for financial aid. This is done by:

(1) Providing loan cancellation, re-established financial aid eligibility, and credit record corrections for students who attend proprietary trade schools that close while they are in attendance;

(2) Providing pro rata refunds of tuition, loans, and grants if students withdraw prior to completion of the terms for which they are enrolled;

(3) Prohibiting proprietary trade schools from originating student loans, or, in the alternative, provide that students whose

loans originate at the schools may assert any claims they have against the school against the lender or holder in due course. Proprietary school students could still obtain loans independently;

(4) Requiring lenders and guarantors to notify student borrowers of their deferment rights periodically and permitting retroactive deferment for eligible borrowers who defaulted even though they would have been entitled to deferment;

(5) Allowing students injured by violations of the Higher Education Act to act as private attorneys general and maintain private rights of action to enforce the Act; and

(6) Prohibiting alleged student loan debts from schools that meet the definition of "problem" proprietary trade schools from being referred for income tax refund interception.

The proposed amendments go a long way toward remedying the problems experienced by the clients of the Legal Assistance Foundation of Chicago at proprietary vocational schools and would increase their chances of obtaining education that will help them become employed. I urge the committee to consider adopting these and similar measures. Thank you.

HIGHER EDUCATION ACT REAUTHORIZATION

AMENDMENTS TO ADDRESS TRADE SCHOOL INFRACTIONS

SUPPLEMENTAL SHEET

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The City of Chicago supports amending the Higher Education Act with regard to trade schools in order to eliminate abuses. Many of the areas the proposed amendments would impact upon are as follows:

- The abrupt closing of schools;
- Inadequate refund policies;
- Sole funding source abuses;
- Lack of admission standards;
- Strengthening certification standards; for granting student loans;
- Strengthening accreditation standards for training programs; and
- Implementing stronger enforcement tools.

On behalf of the City of Chicago, I am submitting this testimony on trade school infractions and their effect upon our residents and our society.

Before becoming Mayor of the City of Chicago in 1989, Richard M. Daley was the Cook County State's Attorney for eight years. During that time, he established one of the most aggressive Consumer Fraud Units in the country.

A priority of this unit was prosecuting and actively seeking the revocation of accreditation of trade schools guilty of violating the law and cheating their students and the taxpayers. State's Attorney Daley additionally helped revise legislation in the State of Illinois concerning State regulation of trade schools. Accordingly, the proposed changes in the Higher Education Act remain an important issue for the Mayor of the City of Chicago.

I. INTRODUCTION:

The failure to regulate trade schools has deprived numerous low-income persons of the opportunity to acquire the skills needed to elevate their economic status in the community. Trade schools which were established to provide such training are now hurting the very people they were created to aid. Unlike academic institutions whose programs provide a diverse curriculum, trade schools are designed to provide intensive specialized training programs for students requiring specific skills. Unscrupulous school operators frequently view these types of schools as little more than a way of making a quick profit at the expense of taxpayers, whose taxes fund the program, and those individuals who can least afford it...the students. The inability of these students to repay federal student loans creates unnecessary financial burdens on both the students and taxpayers.

The City of Chicago supports the efforts to strengthen the regulatory tools of the Higher Education Act of 1965 in order to force trade schools to fulfill their public interest mandate. The following proposals are designed to curb proprietary vocational school infractions.

II. ABRUPT CLOSURE OF SCHOOLS:

During the past five years, several trade schools in the City of Chicago have abruptly closed, leaving students burdened by heavy educational loans without the means to complete their educations. Through protection afforded debtors under the Bankruptcy Code, many of these schools have evaded even the reaches of governmental agencies seeking redress for victims by filing for bankruptcy in other parts of the country.

By statutorily providing for the cancellation of student loans upon school closing for students who have not completed the program, such an abuse can be corrected. School operators should also bear the responsibility of repaying Federal loans in the event that financial or operational improprieties can be demonstrated. Criminal penalties for flagrant violations also should be considered. By mandating greater accountability by trade school owners, lending institutions will be encouraged to take greater care in providing loan programs to trade schools.

III. INADEQUATE REFUND POLICIES:

Several trade schools in the Chicago area have instituted refund policies under which loans cannot be refunded under any circumstance after a short period of time. After the refund period has lapsed, some schools have even halted certain educational and financial benefits, thus encouraging students to withdraw from the program. For example, one trade school provided students with free public transportation passes, but stopped this benefit when the tuition refund period ended. As a result of this action, certain economically disadvantaged students were forced to withdraw from the program. With fewer students to educate and the existence of a very limited refund policy, school profits are maximized.

The current Federal refund requirement, which requires schools to refund monies only after receiving notification from the Federal Government that the student loan default rate has exceeded thirty percent, is not sufficient. By imposing such a pro-rata refund policy without the need for official notification of the school, such abuses can be mitigated.

IV. SOLE FUNDING SOURCE ABUSES:

Many trade schools "originate" student loans by acting as agents for lenders. Loan applications and advice are part of the marketing "pitch" given by school "counselors" to encourage prospective students to enroll in the program. "Business relationships" between lending institutions and trade schools do not serve the interests of either students or taxpayers. However, financial assistance may benefit students whose access to student loans may be limited.

Trade schools occasionally receive undisclosed commissions from lending institutions. By prohibiting such a practice, the schools' profit-making motivation to except unqualified students or offer inferior training would be strongly discouraged. Schools should also be required to disclose, orally and in writing, that students may seek funding on their own and cannot be forced to borrow money from any one financial institution. The prominent insertion in all contracts of a "preservation of claims and defenses clause", such as the Federal Trade Commission rule, should also be mandated. Such changes will protect students from attempts to enforce financial obligations in the event that a school closes abruptly or engages in other kinds of abuses. Disclosure of student loan deferment rights should also be mandated.

Finally, copies of all contracts should be provided to prospective students prior to the execution of any financial or contractual agreements. Students who have negotiated contracts in languages other than the English language should be provided with copies of all contracts in the language of the negotiations.

V. LACK OF ADMISSIONS STANDARDS:

The lack of ascertainable admissions standards has permitted ineligible students to enroll in trade school programs. In some cases prospective students who have flunked admissions tests are still admitted into the school. On occasion, applicants' credentials have also been falsified. Additionally, some trade schools have also admitted "ghost" applicants as students.

By requiring prospective students to pass a General Education Development test or its equivalent in States which do not administer such a test, this abuse can be curbed. The mandatory disclosure of graduation rates would also provide prospective students with objective criteria upon which they can evaluate the trade school and determine if the school's services will provide adequate training. Periodic auditing of admissions and graduation records should also be conducted by government agencies to ensure that admissions standards are followed.

VI. STRENGTHENING CERTIFICATION STANDARDS FOR GRANTING STUDENT LOANS:

The process used to certify the financial capability of trade schools to participate in the Title IV funding program fails to protect adequately both students and the taxpayer. In the past, a large number of schools that applied were certified despite their negative net worth, net losses, and lack of sufficient assets to cover liabilities. Existing schools that are taken over by new management are not required to demonstrate a performance record for two years prior to certification; a requirement for all new schools.

By requiring trade schools to submit audited financial statements by a certified public accountant, only schools which have sufficient assets and can comply with Federal requirements will be granted this authority. Finally, all schools whether newly established or newly purchased should be required to demonstrate satisfactory completion and placement rates.

VII. RESTRUCTURING OF ACCREDITATION AND TRAINING STANDARDS:

The quality of training and education at trade schools is not consistently evaluated by governmental entities. Such a responsibility has been delegated by States to private accrediting agencies, which are largely composed of trade school operators. This lack of effective control has been easily exploited by proprietary school owners and operators. Certain schools lack qualified instructors to teach courses. Others lack equipment, such as computers in a computer training program. Training facilities also can be hazardous and antiquated. One beauty school's classroom had a persistent flooding problem, but continued to provide blow-dry hair training to students, exposing them to electrical hazards.

Trade schools should be required to maintain adequate performance standards through an independent auditing system in order to continue receiving federal money. The eligibility of trade schools to participate in student aid programs should be contingent upon meeting established completion and placement standards. The Federal government and not private accreditation agencies should control the certification process.

A trade school should be required to submit an audited statement, certified by an independent auditor, documenting the percentage of students beginning and completing training as well as the placement rate and the successful passage rate of students taking required State wide exams in conjunction with an application for certification or recertification. Yearly audits will also significantly correct such abuses. Legislation should also mandate fixed curriculum and graduation requirements to halt the common practice of charging hidden fees to racket the cost of fulfilling graduation requirements. In one year at a particular trade school, due to new graduation requirements and fees placed upon students, only one student out of approximately 100 took and successfully passed a State required exam.

VIII. STRONGER ENFORCEMENT TOOLS:

Enforcement of the requirements of the Higher Education Act should be broadened to permit enforcement by other government agencies as well as victims of trade school abuses. Such actions will increase regulatory action as well as deter flagrant violations. Both prospective students and taxpayers will benefit from such an amendment.

IX. CONCLUSION

The City of Chicago supports the efforts to amend the Higher Education Act of 1965 to strengthen the regulation of trade schools. By strengthening the regulatory scheme, trade school abuses can be curbed more effectively. Greater regulation of trade schools would protect students as well as government student loan funds, thus relieving the unnecessary burden the various types of abuses place on students seeking specialized training and taxpayers whose tax dollars fund the student loan program.

RESPECTFULLY SUBMITTED,

Caroline O. Shoenberger

CAROLINE ORZAC SHOENBERGER
COMMISSIONER OF CONSUMER SERVICES
CITY OF CHICAGO

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Wisconsin Board of Vocational, Technical and Adult Education

Dwight A. York, State Director

March 26, 1991

The Honorable Paul Simon, Chairman
Senate Subcommittee on Employment and Productivity
230 S. Dearborn St., Suite 3892
Chicago, Illinois 60604

Dear Senator Simon:

The cost of attending private college has traditionally restricted access to these institutions. Now cost is restricting access to public colleges by simply pricing them out of the market for an increasing number of students. Tuition increases in excess of inflation have become commonplace in Wisconsin as they have elsewhere, and have increased the burden on students. Other education costs are also going up. In Wisconsin's two-year technical colleges, Pell and other grants typically cover less than half the costs associated with attending school. As costs mount, minority, disadvantaged, and other potential students are foregoing college rather than risking their futures on loans.

At the same time, jobs requiring the special skills and knowledge that can be learned in two-year college programs often go begging. It is a sad fact that too many youth are unprepared for further education or for productive careers. While the two-year colleges, by virtue of their open-door policy, have been effective in assisting students whatever their educational needs, cost is now swinging the door closed. This is true for adults as well as youth just out of high school. Today, adults in the work force find it increasingly difficult, because of cost, to enroll in education programs to improve their skills and acquire the knowledge that will enable them to advance.

Students are not the only ones frustrated by restricted access. Employers who are unable to fill positions with qualified persons cannot compete effectively and are also frustrated. The frustration felt by employers as well as those who need additional education are an immediate result of restricted access to post-high school education. Major long-term results of failure to preserve and extend access as an investment for the future, include a loss of competitive edge in world markets, a reduced standard of living, and stagnation of what may be called our productivity infrastructure.

In asking what the federal government, together with the higher education community can do to improve student assistance programs, it must be recognized that there is no bargain solution. Financial assistance must be given to qualified persons who need it. To do this will mean that a substantially greater share of the nation's resources must be devoted to education. It also means that the federal government must act now to restructure assistance programs to improve their effectiveness. I have suggested ways in which this can be done below.

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608/266-1207 608/266-1690 (FAX)

Grants Over Loans

For years the technical colleges together with many in Congress have sought a better balance between loans and grants. We have urged that more emphasis be given grants in order to reduce the burden of debt students face when they complete their education.

By far the highest number of defaults are incurred by beginning students, many of whom leave school before completing. While better loan administration may screen out some who now borrow, it is clear that loans are now offered to many students, particularly those entering college for the first time, who would be much better served by grants.

RECOMMENDATIONS:

1. *Reposition the Pell program by removing it from the domestic discretionary budget and make it a domestic entitlement program, like Stafford loans, so that under the new deficit reduction rules the needed increases in Pell Grants can be offset by reductions in guaranteed loans.*

2. *Make Pell grants available to all first-year students who meet current financial need criteria.*

3. *Make Stafford loans available to students in their second year of college at the earliest, after they have demonstrated their ability to succeed in an education program.*

4. *Continue College Work-Study and Supplemental grants at current funding levels adjusted for inflation.*

Simplification

There have been proposals to consolidate all aid into three programs: one for grants, one for loans, and one for work-study. There have been proposals to simplify regulations, the eligibility test, the application for high need students, and the loan process, including the elimination of loan guarantee agencies.

RECOMMENDATION:

Simplification should be a major goal of reauthorization to be accomplished, at a minimum, by developing a single need analysis for all aid programs, a one-page aid application form for all programs, and an improved process for applying for and securing student loans.

Ability To Benefit (ATB)

Under legislation adopted in the closing days of the last session, all persons who do not have a high school diploma or its equivalent (referred to as ability to benefit, or ATB students) must, prior to enrollment, pass an independently administered examination approved by the Secretary of Education. ATB students who do not take and pass the examination would not be permitted to enroll, thereby depriving the most needy students of the opportunity to obtain an education.

RECOMMENDATION:

Modify the new 'ability to benefit' requirement by applying the testing requirement only to ATB students applying for federal aid, and permit institutions to determine ATB by following state procedures.

Assistant Secretary of Education for Community and Technical Colleges

Many higher education issues such as postsecondary occupational education not requiring a baccalaureate degree, can be addressed most effectively by those who have experience in 2-year colleges. Experience in 2-year colleges is different from that obtained in baccalaureate institutions, just as the institutions themselves are different in the services they provide, the attributes and interests of their students, in curricula, and in the economic and societal needs they meet. Two-year college students are usually older than students in 4-year institutions, and are more often married and have families to support. Programs in the community and technical colleges are generally shorter and devote less time to theory and more to practical, or technical, applications than programs in 4-year colleges and universities.

Few national education administrators and policy decision-makers have first-hand experience in dealing with community college issues and concerns. Yet, more than half of all postsecondary students are enrolled in, or have attended, 2-year colleges.

RECOMMENDATION:

Establish an Assistant Secretary for Community and Technical Colleges in the U.S. Department of Education, to promote better understanding of the services two-year colleges can, and are performing.

Default Reduction

It is my understanding that the administration plans to introduce new legislation this year to reduce Stafford loan defaults. The legislation will require: (1) A minimum course length of 600 hours for eligibility; (2) Credit checks of potential borrowers by lenders; and (3) Delayed loan disbursements to first year borrowers at schools with a default rate over 30 percent until 60 days after the beginning of classes.

While these changes will achieve a degree of improvement in the loan default problem, they do not address its major cause, which is that loans are being made where grants should be used.

RECOMMENDATIONS:

To reduce the default rate, Congress must:

1. *Establish accountability for Stafford Loans.*
2. *Award only grants (not loans) to first year students;*
3. *Credit loans, for the purpose of determining default rates, only to the institutions where loans originated;*
4. *Allow self-regulation by institutions with less than a 20 percent default rate, or where less than 10 percent of the students enrolled half-time or more participate in the Stafford program.*

Sincerely,

Dwight York

Dwight A. York
State Director

DAY:SKC
LTR:603:27

UIC
The University of Illinois at Chicago

Latin American Recruitment and Educational Services (M/C 220)
Suite 202
322 South Green Street
Chicago, Illinois 60607
(312) 996-3356/6073

Senator Paul Simon
Attention: Mercy Lang
270 S. Dearborn
Suite 3892
Chicago, Illinois 60604

April 12, 1991

Dear Senator Simon:

The Latin American Recruitment and Educational Services (LARES), an academic student support program at the University of Illinois at Chicago (UIC), recruits, advises and provides educational assistance to over 1200 Latino students. Established to increase Latino enrollment, LARES offers assistance in the admissions process and in identifying and acquiring the financial aid necessary for attending UIC.

It is with great interest that LARES monitors the reauthorization of the Higher Education Act of 1965 and associated bills introduced in the 102nd Congress. As a unit serving those students who would benefit from a major restructuring of the student aid/financial assistance programs, namely inner-city, low-income, Latino students, LARES can only concur with the recommendations issued by the U.S. Student Association (USSA).

First, the application process for financial aid is particularly

overwhelming to many. Making the financial aid system "user friendly," would encourage first generation and non-native English-speaking students to apply. Incentives such as simplifying the form itself, using one form for federal, state and local monies, and making the application free of charge have a direct impact on the student population LARES serves. With limited staff available to attend to the financial needs of Latino students, such simplifications could ostensibly free up staff to devote time to other pressing student concerns. Additionally, exempting families who earn below a certain income level (the recommended level is below 20,000) from need analysis would make college more attainable to low-income, minority, and disadvantaged populations.

Secondly, current standards that define independent student status are not realistic. Pre-1986 standards more accurately allowed for the situation of many students to be considered for funding who were responsible for their own college expenses. We support liberalized independent status requirements with measures to safeguard abuse by those with the parental and personal resources to attend an institution of higher education.

Thirdly, with Latino and other students often forced to drop-out due to financial difficulties, the need to reassess the dissemination of Pell Grants and federal loans is critical. The Latino student base in particular is expanding to include those students--who while not at poverty level--could not attend

college without support. The necessity of a concomitant expansion in resources available to all groups with need is of paramount importance. In these recessionary times, a middle-income family cannot always financially support their children through post-secondary education. If the Stafford loan were expanded to include more middle-income families, and as a corollary, if the Perkins loan were made available to lower-income recipients, these modifications could only enhance the numbers and diversity of underrepresented students such as ours. It is also important to continue to provide fixed-rate subsidized loans, such as the Guaranteed Loan Program, to students who begin repayment nine months after graduation.

Other incentive programs would encourage Latino students, for example, to remain in their communities and provide badly needed services. One such suggested program, features loan forgiveness benefits as a method of rewarding national or community service. This should not revert to a mandatory service requirement which would not only discourage this kind of activism but would discriminate against those without the ability to participate. Another initiative could be established that would offer incentives for employers to repay student loans on behalf of their employees.

Fourthly, a very important reform would guarantee decent wages, beyond the minimum wage, to College Work Study students. Moreover, further decreases in this program (College Work Study)

will only force a larger share of Latino students to drop out or be forced to take on additional student loans when many entry-level salaries already do not encouragement repayment. Creative campus programs that employ students in positions that provide valuable work skills not only assist students economically, but help to prepare them for professional employment in the future.

I would conclude with a strong endorsement of recruitment and retention efforts aimed at reaching pre-collegiate underrepresented populations. Many model programs which utilize the talents of educators, students and administrators alike can provide for not only a diverse future workforce but a literate and participatory citizenry.

Again, I concur with the major recommendations suggested by the U.S. Student Association. I believe a review of the Higher Education Act of 1965 with these recommendations in mind will promote a more equitable and beneficial system of support for those seeking higher education.

Respectfully,

Leonard Ramirez

Leonard Ramirez

LARES Director

Our hearing stands adjourned.
[Whereupon, at 11:45 a.m., the subcommittee adjourned.]

ACCESS AND CHOICE—ISSUES IN HIGHER EDUCATION

TUESDAY, APRIL 2, 1991

U.S. SENATE,
SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES, OF THE
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Hartford, CT.

The subcommittee met, pursuant to notice, at 10:10 a.m., at the University of Hartford, Susman Lounge, 200 Bloomfield Avenue, Hartford, CT, Senator Christopher J. Dodd presiding.

Present: Senator Dodd.

OPENING STATEMENT OF SENATOR DODD

Senator DODD. Good morning, everyone. Let me first of all apologize to all of you for being a few minutes late, but I had a press conference this morning to announce a new member of my staff in Connecticut. I have asked Bill Burns, the former Commissioner for the Department of Transportation, to join my staff to help coordinate economic development programs with the other congressional offices and the various chambers in the State and cities and the Department of Commerce in the State. Bill, as many of you know, is one of the most highly regarded public servants in recent memory in this State, and I saw him sitting on the sidelines and thought that was a wasted asset in the State. So we asked him to join us. For those of you who have worked with him in the past, I think you will appreciate the kind of expertise and knowledge and understanding of this State that we desperately need in these days.

This morning we gather for another purpose, and I should begin by first of all thanking Mr. Tonkin and the University of Hartford for their graciousness in making available the university as the setting for the first of two hearings on higher education in this State. I said in a way that it is unrelated. It is not unrelated. There is no more related issue, I suppose, to economic development than the need for assistance in the higher education areas. As I held the press conference this morning, obviously I was asked as well about the layoffs that the Governor announced last evening. I think like all of us, layoffs anywhere, whether private or public sector, are tremendously disturbing, and troubling in what it means for the long-term interest of the State. And I am deeply concerned about it, but I also understand that these are difficult times and the Governor has a tremendously difficult task, as well as the members of the State legislature. People like Senator Sullivan and others have to grapple with these issues directly.

Governor Weicker said something very interesting the other day when he appeared before the State legislature. He talked about Connecticut as a family, and I believe that. Each of us, whether we are a public citizen or private citizen, has an obligation to do what we can to strengthen this family and to get it back on its feet again. Certainly what I can do best is what I do, and that is to see to it that at the Federal level we do as much as possible to assist this State, assist families, assist students to receive the kind of educational opportunities that will allow them to become productive employees or employers, good parents, good citizens, to make a contribution, not only to this State but to our Nation. So my job as a U.S. Senator is to bring to bear the resources and to bring to the attention of my colleagues in the Senate and the Federal Government these questions, and hopefully make some improvements in the present situation.

This morning, in an effort to advance that particular cause, I thought it would make some sense during this recess break to focus attention on some legislation that I have introduced and get your advice and counsel as to whether or not it is a good idea, whether or not it can be improved, what suggestions you would make or offer, and then bring that information to my colleagues in the Labor and Human Resources Committee of the U.S. Senate, most specifically the Subcommittee on Education, Arts and Humanities, on which I serve under the leadership of Senator Pell, the author, of course, of the Pell grants, among other things during his tenure in the U.S. Senate.

I thank each and every one of you for being here this morning, and we will get directly to our first panel of witnesses after I take a few minutes to make a couple of opening remarks, specifically on the legislation.

Today the Subcommittee on Education, Arts, and Humanities begins the first of 2 days of field hearings in Connecticut on issues related to access and choice in higher education. As a member of the subcommittee, I expect that the testimony presented here this morning in Hartford and tomorrow in Mystic will provide me with material that I will need to represent the interests of this State, its students, its parents, its faculty administrators during the reauthorization of the Higher Education Act this year.

Every 5 years, as most of you in this room know, the Congress has an opportunity to review the laws governing the Federal Higher Education Programs. When the Congress first passed the Higher Education Act in 1965, its purpose was to make postsecondary education opportunities more accessible to all Americans, not just those who could afford it.

While we can be proud, all of us, of the rise in enrollments in postsecondary institutions, in the decades since the passage of the GI bill in 1945 and the Higher Education Act in 1965 and through the mid-1970's, the 1980's have been marked by stagnation and declining access.

Since 1981, while families have watched tuition costs climb by as much as 59 percent in this country, the Federal share of available aid has dropped from 83 percent to 75 percent. Moreover, since the mid-1970's, the percent of Federal aid to students in the form of

grants has dropped drastically from 76 percent to 29 percent as loans have replaced grants as the major source of student aid.

Rising tuition costs, high loan default costs, and the tightening of Pell grant and Stafford student loan eligibility requirements are making it harder, if not impossible, for many families to afford higher education costs. Low- and middle-income families alike have been squeezed out of the Pell grant and Stafford loan programs. Families living in the Northeast and California particularly—regions known for their high cost of living and inflated property values—are harder hit with higher education costs and lower eligibility for Federal aid.

The inclusion of nonliquid assets—such as homes and businesses—in the calculation of need has compounded the problem for students and families in Connecticut and across this country. Low- and middle-income families alike, and particularly middle-income families, are expected to borrow against their home to meet their expected family contribution. This is a particularly onerous requirement for families who over the last 20 years have seen the value of their homes dramatically outstrip increases in their income. They simply could not afford to make payments on home equity loans from those incomes.

Another example of the student needs testing that hurts Connecticut families is the extremely low standard maintenance allowance. The Federal law only allows a family of four with one child in college $14,930 a year to meet essential living costs. While a family of four could live on $15,000 in some parts of the country—although I would be very hard pressed to tell you where today you could live on that kind of an income with a family of four it is impossible, thoroughly impossible, here in Connecticut. The standard maintenance allowance does not take into consideration the cost of living for the region in which the family resides.

As the Congress works this year to reauthorize the laws government the Federal student loan and grant programs, I intend to be out front in the effort to protect and maintain the integrity of these Federal aid programs. I will work to restore the purchasing power of Pell grants, and I will help to assure that the criteria for Federal assistance will be fair and equitable to all families in need of such aid.

An investment in education—and this has become a worn-out expression, but it needs to be stated apparently for some over and over and over and over and over again. An investment in education is an investment in the future of this Nation. That ought to be as clear to anyone in this Nation as anything. And for this reason, I strongly believe that the Federal Government should bolster its commitment to making higher education accessible to all Americans. While today's hearing will deal specifically with access as it relates to the Federal student aid programs, we must also give serious consideration to the problems of retention, deteriorating facilities, and the need to reach the youth traditionally under-represented in higher education.

I would also just like to point out briefly some statistics that many of you in this room may know already, but I just think they State the case sometimes better than all the rhetoric. In 1949, nine percent of the Federal budget was committed to higher education

in this country. In 1991, only three percent of our budget is committed to higher education. As I mentioned a few moments ago, Federal funding in grants has dropped 37 percent in real terms in the last decade. Funding for college work-study program fell 32 percent, Perkins loans 67 percent, and SSIG 48.1 percent in that same 10-year period. In fiscal year 1979, the Pell grants covered 46 percent of college costs. In 1991, they will cover only 25 percent of college costs for families. So you begin to get some sort of a flavor and an idea of what is happening to families out there.

I presume that many of you had a chance to look at the bill or proposal—the one that we have introduced and I am going to be asking you to comment on it—that will make, we think, some differences. In 1981, the Reagan administration, unfortunately with the support of Congress, put a cap on the middle-income student assistance programs. That has just clobbered middle-income families. It virtually has taken them out of the programs. So today if you are unfortunate not to be poor enough, and in most cases not affluent enough, then the opportunities for higher education are just almost not there for families. And so I am determined, with this reauthorization bill, to see to it that we get back to where we were, making it possible for middle-income families and for lower-income families to be able to participate in our higher education opportunities.

To come off Desert Storm and all of the great sense of euphoria and patriotism associated with that particular cause is one thing. But, frankly, the great storms that are going to be raging in the world are going to be economic. And if this Nation does not educate a generation, it will be asked to meet those challenges of global competition in the latter part of this decade and the beginning of the 21st century, then we are deluding ourselves and will be relegating this Nation to a second-class status. That is not hyperbole. That is a fact.

So this morning is an opportunity to hear directly from those involved in higher education in this State, take that information to Washington, and with some luck and I think the support of Republicans as well as Democrats and a strong bipartisan effort, this year ought to be the year that we put some sanity and intelligence back into our higher educational systems. And I thank you for coming this morning.

[The prepared statement of Senator Dodd follows:]

PREPARED STATEMENT OF SENATOR DODD

I would like to extend a warm welcome to the students, parents and education administrators who are with us this morning.

Today, the Subcommittee on Education, Arts and Humanities begins the first of two days of field hearings in Connecticut on issues related to access and choice in higher education. As a member of the subcommittee, I expect that the testimony presented today in Hartford and tomorrow in mystic will provide me with material I need to represent the interests of Connecticut's students during the reauthorization of the Higher Education Act.

Every five years the Congress has an opportunity to review the laws governing the Federal higher education programs. When the

Congress first passed the Higher Education Act in 1965, its purpose was to make postsecondary education opportunities more accessible to all Americans—not just to those who could afford it.

While we can be proud of the rise in enrollments at postsecondary institutions, in the decades since the passage of the GI Bill in 1945 and the Higher Education Act in 1965 and through the mid-1970's, the 1980's have been marked by stagnation and declining access.

Since 1981, while families have watched tuition costs climb by as much as 59 percent, the Federal share of available aid has dropped from 83 to 75 percent. Moreover, since the mid-1970's, the percent of Federal aid to student in the form of grants has dropped drastically from 76 percent to 29 percent as loans have replaced grants as the major source of student aid.

Rising tuition costs, high loan default costs and the tightening of Pell grant and Stafford student loan eligibility requirements are making it harder, if not impossible, for many families to afford higher education costs. Low- and middle-income families alike have been squeezed out of the Pell grant and Stafford loan programs. Families living in the northeast and California—regions known for their high cost of living and inflated property values—are harder hit with higher education costs and lower eligibility for Federal aid.

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As the Congress works this year to reauthorize the laws governing the Federal student loan and grant programs, I intend to be out front in the effort to protect and maintain the integrity of the Federal aid programs. I will work to restore the purchasing power of the Pell grants. And, I will help to ensure that the criteria for Federal assistance will be fair and equitable for all families in need of such aid.

An investment in education is an investment in the future of this nation. And for this reason, I strongly believe that the Federal government should bolster its commitment to making higher education accessible to all Americans. While today's hearing will deal specifically with access as it relates to the Federal student aid programs, we must also give serious consideration to the problems of

retention, deteriorating facilities, and the need to reach the youth traditionally underrepresented in higher education.

At this time, I would like to welcome the first panel of distinguished witnesses. I look forward to hearing your testimony.

We are very honored this morning to have a very distinguished first panel of witnesses who can speak with great clarity and with a great deal of background on higher education needs in this State. I am honored that Norma Glasgow is with us, the Commissioner of Higher Education for the State of Connecticut. I have already mentioned State Senator Kevin Sullivan, who is the chairman of the Joint Legislative Committee on Education. I gather you are going to be accompanied by Representative Nancy Wyman and Jon Pelto. I don't know whether they are going to be able to be here or not.

Mr. SULLIVAN. We hope.

Senator DODD. We hope they will be joining us this morning.

I have already mentioned Dr. Humphrey Tonkin, the president of the University of Hartford; and, of course, Dr. Harry Hartley, we welcome you, Doctor. Duke won last night.

Mr. HARTLEY. What can I tell you?

Senator DODD. He mentioned Connecticut the other night, the coach, in talking on his way to the final four.

Of course, Dr. Dallas Beal who is the president of the Connecticut State University System. We thank all of you for being here with us this morning.

We will begin in the order that I have introduced you for your statements. Most of you have done this in the past. Because there is an awful lot of data that one could provide here, I would just say to you and to all of the other witnesses that we will be hearing from this morning, all of your prepared statements, all of the accompanying data that you want to provide will be made a part of the record. I would ask you to try and keep your remarks down to about seven, 8 minutes or so, so that we might get to some questions and be able to get to our second panel and get to lunch at some point, or dinner, if that is all possible.

Norma, thank you for being here.

STATEMENTS OF NORMA FOREMAN GLASGOW, COMMISSIONER OF HIGHER EDUCATION, STATE OF CONNECTICUT; KEVIN SULLIVAN, STATE SENATOR, HARTFORD, CT; HUMPHREY TONKIN, PRESIDENT, UNIVERSITY OF HARTFORD, HARTFORD, CT; HARRY J. HARTLEY, PRESIDENT, UNIVERSITY OF CONNECTICUT, STORRS, CT; AND DALLAS K. BEAL, PRESIDENT, CONNECTICUT STATE UNIVERSITY SYSTEM, NEW BRITAIN, CT; ACCOMPANIED BY RICHARD SAVAGE, FINANCIAL AID OFFICER

Ms. GLASGOW. Thank you, Senator. It is a pleasure to be here, and we very much appreciate what you are doing to help college students, not only in Connecticut but in the rest of the United States. I will try to be brief and outline some issues that you already have touched on, so I won't emphasize those that you have already talked about.

As we look at this reauthorization of the Higher Education Act, I think it is well to remember that this Act really is the cornerstone legislation that sets national policy for higher education. And the

effective reform of this legislation can affect the ability of our country to sustain its prosperity and to maintain its cohesion through equity for all its people. We see the divisions between classes and races. This equitable opportunity for education can help and must overcome that.

Now, our primary goals in the legislation I think can and should continue to be educational access for needy students, but we also need to assure that access is to quality institutions. Some of the impacts that you already have pointed out in Connecticut in regard to student financial aid: Both Pell and Stafford loans have been retargeted for the neediest students, and we certainly know they have need. But the lower- and middle-income students are really being squeezed out. There is an erosion of the Federal role in providing both loan and grant dollars to the traditional Connecticut college student.

The shift from grants to loans as the primary means of Federal subsidy is particularly hard on the lower- and middle-income student. Grant funds for Connecticut college students have declined since 1980, both in terms of total dollars and in the percentage of total Federal and State grant aid. The State has been responsive. Over the past 5 years, from April 1985 to 1990, the amount that the State has provided has gone from about $7 million to almost $18 million, but yet it has been unable to keep pace and compensate for the reductions in Federal aid and rising tuition costs.

The Federal targeting of eligibility to large numbers of students enrolled in vocational technical proprietary schools and newly defined independent students with no increase in funds has diverted funds from traditional students. For example, at the beginning of the 1980's, 15 percent of all the Pell grant dollars coming into Connecticut went to students who were in proprietary schools. By the end of the decade, that had risen to 45 percent. Again, the students from lower-middle- and middle-income families wishing to attend traditional colleges were hard hit.

The congressional needs analysis which your legislation does address makes it increasingly difficult for needy Connecticut families to receive aid, particularly because of these unrealistic expectations from student earnings and home equity.

Now, your efforts for reform we applaud and support. The lower expectations of student earnings that are to be used to meet college costs, I understand that you are proposing that be reduced from 70 to 45 percent. We certainly applaud that. You might even want to consider a dollar cap as opposed to a percentage cap, because there is still the disincentive. We don't want to have a disincentive for students to work, because they do work to try to support their tuition.

Your reduced and expected contributions from home and farm equity makes eminent sense. I understand the proposal would be to eliminate that subsidy totally for those with incomes below $40,000 and to have a sliding scale, a graduated scale for those between $40,000 and $70,000. This would seem to give the relief that is desperately needs. And to allow students with dependents to deduct child care costs. It is time—past time that we recognize that many of our students are parents and that they do need the help and this is a legitimate expense of attending college. And to give some spe-

cial considerations to those families who have dislocated workers or displaced homemakers in the home, I applaud all of those efforts.

Now, as we look at other reforms in the reauthorization act, if I could, I would like us to, as you consider it, suggest that we look at three major goals and actions which could achieve those goals. The three major goals would be: As we reform, let's increase enrollment and persistence for the most disadvantaged; let's also help the middle-income student; and let's assure that we have quality and integrity in the programs they are attending.

Now, to help the persistence and enrollment of the most disadvantaged, let's simplify the application process. Example: Let's just eliminate need analysis for those clearly in need, such as those on Aid to Families with Dependent Children. I doubt that they ought have to go through the whole need application process. They have clearly demonstrated need.

I think we could encourage partnerships with States and colleges to provide early intervention programs, including expansion of the TRIO programs.

Provide some incentives, perhaps through a revamping of SSIG, for outreach programs and demonstration projects to increase student's persistence. In other words, if those could be used, the State's help in those programs as some of the matching funds for SSIG, then this outreach program could be continued with a partnership between the Federal Government and the States and possibly some private dolars.

I think we need to tighten eligibility criteria for independent student status for Pellgrant recipients, and certainly we need to hold postsecondary schools accountable for the criteria on ability to benefit and follow-up on programs and success of Pell grant recipients. We want to help the neediest, but it does not help the neediest if they are preyed upon by the unconscionable that promise them education and give them nothing.

Goal 2: Helping middle-income students. In addition to the steps you already have taken which are baseline and terribly important, I would hope we could consider perhaps tax incentives for college savings. Perhaps increase the family income limit on full deductibility of U.S. savings bonds from $60,000 to $75,000.

I hope we could restore tax deductibility on parent and student educational loans, and the criteria that you have mentioned would broaden the eligibility for the Stafford loans and college work-study, and that is desperately needs. And amend that congressional methodology so that we can provide some recognition of the educational savings allowance, and they are not penalized for savings.

Consider the reintitution of IRA's with withdrawals allowed for education. I know the Federal budget, but I have to keep talking about this because I think it is important. Make Federal needs analysis more sensitive to regional differences in costs of living. You mentioned it yourself. Maybe somewhere someone could live for $15,000 a year, but certainly not in Connecticut.

Provide incentivefunding to encourage matching Federal, State, and private funds. I is going to require the funds from all three of these focused together.

Now, ensuring quality and integrity of programs. Defaults on student loans, high dropout rates, poor quality programs are erod-

ing the public faith in the effectiveness of student financial assistance programs. I think there could be reforms that would strengthen the accountability and institutional eligibility standards which are used. Strengthen the role of State licensure bodies in determining the eligibility of institutions for Federal aid programs. States should know their own college programs and their own postsecondary programs.

Establish higher standards for accrediting associations whose actions determine the institutional eligibility. Those accrediting associations should be represented more broadly than the vocations that they accredit.

Strengthen the ability of the Office of Education to examine standards and the capacity of institutions to manage Federal funds, including the profit structures of proprietary institutions and plans for institutional review and oversight, that there is a process for review and oversight. I think those then could help to continue to improve to reach those three goals.

We would love to see an expansion of FIPSE grants for institutional grants for improvement of undergraduate education, multicultural education, and school-college collaboratives. We also would encourage the incentives with States and Federal Government working together to provide funds for laboratories and equipment to strengthen research. Our laboratories are antiquated. Our equipment is not state-of-the-art. And we know that the facilities and the infrastructure is one of your considerations. We certainly hope that we can, through State and Federal partnerships, do something about that.

Thank you.

[The prepared statement of Ms. Glasgow follows:]

PREPARED STATEMENT OF MS. GLASGOW

Thank you for this opportunity for Connecticut people to comment on the Reauthorization of the Higher Education Act. The act is the cornerstone legislation for national higher education policy. The effective reform of the legislation will directly affect the ability of our country to sustain its prosperity and to maintain its cohesion through equity for all its people.

The primary goals can continue to be to provide educational access for needy students and to assure that access is to quality institutions.

ISSUES OF CONCERN TO CONNECTICUT

—The retargeting of both Pell grants and the Stafford (GSL) Loan Program has eliminated many middle and lower-middle-income students from access to these programs. This has resulted in an erosion of the Federal role in providing both loan and grant aid to traditional Connecticut college students.

—Shift from grants to loans as primary means of Federal subsidy is particularly hard for low- and middle-income students.

—Grant funds for Connecticut college students has declined since 1980, both in terms of total dollars and percentage of total Federal and State grant aid.

—Despite healthy increases in State aid over the past five years (from $6.9 million in FY 1984-85 to $17.8 million in FY 1989-90), State funds have not been able to compensate for reductions in Federal aid for Connecticut college students.

—Federal targeting of eligibility to large numbers of students enrolled in vocational-technical proprietary schools and newly-defined "independent" students with no increase in funds has diverted funds from traditional students. At the beginning of the 1980's, 15 percent of all Pell grant dollars in Connecticut went to students attending proprietary schools. By the end of the decade that per-

centage had increased to 45 percent. Again, students from lower-middle and middle-income families wishing to attend colleges were hardest hit.

—The Congressional Needs Analysis makes it increasingly difficult for needy Connecticut families to receive Federal aid, particularly because of unrealistic expectations from student earnings and home equity.

SENATOR DODD'S PROPOSALS FOR REFORM

We appreciate and support Senator Dodd's efforts to address some of these problems with his proposals to:

—Lower expectations of the amount of student earnings to be used to meet college costs (from 70 percent and 45 percent). You may wish to consider a set dollar expectation rather than a percentage to avoid disincentives to work and earn.

—Reduce expected contributions from home and farm equity. I understand the proposal is to eliminate subsidy for those with incomes below $40,000, with sliding scale for those between $40,000–$70,000.

—Allow students with dependents to deduct child care costs.

—Give special considerations to those families with dislocated workers or displaced homemakers.

GOALS FOR OTHER REFORMS IN THE REAUTHORIZATION ACT

As the Congress considers the Reauthorization Act, I would suggest three major goals and actions which could help to achieve those goals:

Goal 1: Increase Enrollment and Persistence for the Most Disadvantaged

—Simplify the application process.

—For example, eliminate need analysis for those clearly in need, such as AFDC recipients.

—Encourage partnerships with states and colleges to provide early intervention programs, including expansion of TRIO programs.

—Provide incentives, possibly through revamping the SSIG program, for outreach programs and demonstration projects to increase student's persistence.

—Tighten eligibility criteria for independent student status for Pell grant recipients and hold postsecondary schools accountable for criteria on ability to benefit and follow-up on progress and success of Pell grant recipients.

Goal 2: Helping Middle-Income Families

—Improve tax incentives for college savings (e.g., increase family income limit on full deductibility for U.S. Savings Bonds from $60,000 to $75,000).

—Restore tax deductibility on parent and student educational loans.

—Broaden eligibility for Stafford loans and college work study programs.

—Amend the Congressional Methodology to provide for educational savings allowance.

—Consider reinstituting IRA's with withdrawals allowed for education.

—Make Federal needs analysis more sensitive to regional differences in costs of living.

—Provide incentive funding to encourage matching Federal, state, and private funds.

Goal 3: Ensuring Quality and Integrity

Defaults on student loans, high dropout rates, and poor quality programs are eroding public trust in the effectiveness of student financial assistance programs.

Reforms to strengthen accountability and institutional eligibility standards could include:

—Strengthening the role of State licensure bodies in determining eligibility of institutions for Federal aid programs.

—Establishing higher standards for accrediting associations whose actions determine institutional eligibility for Federal aid funds.

—Strengthening the ability of the Office of Education to examine standards and capacity of institutions to manage Federal funds, including profit structures of proprietary institutions and plans for institutional review and oversight to ensure educational and financial accountability.

Incentives for Institutional Quality Improvements

—Expansion of FIPSE targeted for institutional grants for improvement of undergraduate education, multicultural education, school-college collaboratives.

—Incentives and Federal State partnerships to provide funds for laboratories and equipment to strengthen research.

Senator DODD. Thank you very much, Norma.

Kevin, we thank you for being with us this morning.

Mr. SULLIVAN. Senator, thank you. It is also a pleasant break to be sitting testifying rather than listening to testimony these days.

I want to thank you in particular for holding this hearing but more importantly for your leadership on this issue. If we in Connecticut were to look to Washington in higher education for one critical area of strengthening that partnership that should be there, it is definitely the area of student financial aid. And it is critical to our State, obviously, as it is to others.

Representative Wyman, my co-chair on Education, and Representative Pelto, my co-chair on the Higher Education Subcommittee of Appropriations, had wanted to be with us this morning. They cannot be, apparently, but they do want to be sure that they are included in both supporting the direction you are moving in in Washington and amplifying the remarks of the experts who are here with us this morning.

Having just made the report of the Higher Education Subcommittee of Appropriations, I guess my sense is redoubled in terms of the importance of the financial aid piece. Knowing what we are looking at in Connecticut, a rather exacerbated picture of the Nation at large in terms of the recession, in terms of particularly that impact on public institutions and increasing tuition in public institutions, and the desperate need to find the resources to help balance those tuitions with financial aid so that we are not closing the door to students, public or private in this State. Your opening statement I think captures so well all of the problems, and it would be redundant to address those in any detail. I think the notion of this shift at the Federal level from grant to loan, and even as to loan the increasingly constricted and narrow definition of need has in many respects made it substantially less than useful programs of assistance for higher education. I think the direction that you are going in is precisely where we ought to be headed.

Obviously, Connecticut shares with the rest of the Nation a number of problems, but we also I think have a unique, in some respects, situation and perhaps one that is maybe only reflected at the other side of this continent in this country. Our students are to some degree and our families are to some degree peculiarly disadvantaged by that financial aid needs analysis. We have looked at comparable statistics for a family in, say, the Midwest and a family in Connecticut. And by the time you run housing prices as an asset through the formula, by the time you run the inflated earnings, by the time you run cost of living, you really see that it is not in a sense fair to treat unalikes alike. And in a sense, that is what the needs analysis does now and tends to drive down the capacity to

help kids in Connecticut even though those kids and their families are in many respects economically under a much greater burden even trying to come into the higher education market.

We in Connecticut have done what we can over the last few years. The commissioner, I think, pointed out quite well that actually from 1985 to today, 1985 some $6.9 million, today about $20 million, a little higher than the last year figure that she indicated in terms of our contribution to student financial aid. But because of the needs formula that we tie into, which is the Federal one, I just go back to our experience a couple of years ago. We put a lot more money in one step into our three principal aid programs in Connecticut. The consequence of that was primarily not to see more students assisted to attend higher education, but to see the same students assisted more with the new dollars. So that we did not see the doors open up in terms of additional opportunity. The formula simply drove more and more dollars to the same kids. And that I think is the sort of lower-middle-income, middle-income dilemma that we are all trying to grapple with this morning.

We have experimented a little bit, nibbling around the edges with our own State-funded student employment program to get away from the asset-equity test, to get away from the caps on student earnings. Obviously that would be significantly assisted if that direction, as you suggest, is also going to be forthcoming in the Federal programs and the Federal formula.

The direction that we would generally suggest is I think precisely the direction that you are going on. First, that we need—we would hope for a greater investment in this area, but obviously the Federal Government shares with us the dilemma of trying to do so in a less than perfect economy. At the very least, we would look to something that would reduce the student contribution levels for those students who are lower-middle-income, in particular, that would put a more equitable balance, if possible, between loan and grant. I think the thing that has really troubled most is the degree to which reliance on loans, whether Federal or private sector, has become the norm.

I look back to my opportunity to be the first kid in my family to go to college and graduate college, made possible primarily by a grant program from the Federal Government that simply does not exist at this point in time.

Senator DODD. By the way, that has been the last 10 years. I mean, those numbers were absolutely the reverse, I think, 10 years ago. It was about 75 or 70-30, and they just—so you don't have to go back a long way. You can go back just the last decade.

Mr. SULLIVAN. You don't even have to go back as far as my college days.

Senator DODD. That wasn't very terribly politic. No gray hair on that head of yours.

Mr. SULLIVAN. There will be after the end of this.

Senator DODD. Yes, I am sure there will be. [Laughter.]

Mr. SULLIVAN. We would also support extending the access to financial aid for families above the $20,000 income level, and more particularly on the needs analysis. What you are doing on family asset worth, particularly because of the inflation of that asset worth in this State, is critical. Looking at regional differences in

cost of living, if possible, taking less of dependent students' earnings into account, and I would commend the commissioner's particular remark with respect to child care costs. I mean, we sometimes forget that what we call the traditional student is no longer the real student in higher ed. We are looking at a very different population of students who are coming back to higher education, dropping in and out of higher education, generally with responsibilities much greater than I had or my peers had when we were in a 4-year college.

Finally, a little bit of—not disagreement, but a different emphasis perhaps on the issue of who is going to be able to participate. I understand the concerns about the so-called proprietary postsecondary sector in this country and in this State. However, I would suggest that some of the recent direction in making Pell funds less available to institutions which are in large measure providing valuable postsecondary education, particularly targeted to improving and strengthening the workforce in the workplace in the State of Connecticut and other States, may be an unwise direction. We need to seek some balance again and recognize that those proprietary institutions are, indeed, part of the postsecondary community, are, indeed, providing a valuable educational and training experience for particularly those individuals who have traditionally been shut out of opportunity. It isn't 4-year, it isn't postgraduate, but it is a critical piece of the higher education picture, and we ought not discriminate or leave them out of the puzzle.

Just in conclusion, let me say that for more and more of our citizens, higher education is become less a bridge to the future and more an insurmountable financial hurdle. For too many others, they are asked to mortgage the very future for which higher education is preparing them. Each State can do its part. Connecticut has. But I think this is one area where your leadership and the leadership of Congress, hopefully the President ultimately, can restore one of the most important partnerships that has ever existed between the Federal and State governments, and that is access to higher education.

[The prepared statement of Mr. Sullivan follows:]

Prepared Statement of Mr. Sullivan

Senator Dodd, I am State Senator Kevin Sullivan, Co-Chairman of the General Assembly's Education Committee and Senate Co-Chairman of our Appropriations Committee's Higher Education Subcommittee. Joining in this statement are State Representative Jonathan Pelto, House Co-Chairman of the Appropriations Higher Education Subcommittee, and State Representative Nancy Wyman, Co-Chairman of the Education Committee. On behalf of all our colleagues, we thank you for this hearing and opportunity to join in your concern to strengthen Federal student financial aid.

We have all been aware for quite some time of the escalating costs of higher education. This trend is now exacerbated at our public universities and colleges as economic recession sharply curtails State revenues and necessitates greater tuition to compensate for the loss of State support.

In addition, Federal student aid has been steadily shifting from grants to loans. With grants reserved for only the very poorest students, a particular burden has been placed on those other needy students and families who, with very limited resources, must incur greater and greater debt in pursuit of higher education.

And while more of the Federal aid is being granted in the form of loans, the guaranteed loan program itself has turned into a very limited, need-based program—denying most middle and lower-middle-income students access to even this financial

help. These students then are left with very few options to finance college tuition. Most can only fall back on private financing and pay conventional interest rates which compound their debt burden.

These problems are not unique to Connecticut, but we believe Connecticut students and their families are additionally disadvantaged relative to students in other parts of the country by certain features of the Federal needs analysis.

As you know, the standard congressional methodology for determining need assumes that a minimum amount of famly income is necessary for essential living expenses. The remaining family income is then assumed to be available for discretionary spending, including college expenses. The remaining family income is then assumed to be available for discretionary spending, including college expenses. The methodology also takes into account the tact that the possession of assets, such as real estate equity, enhances a family's financial strength. The expected family contribution toward educational expenses is then based on a percentage of its adjusted available income.

This adjusted available income is supposed to reflect the family's economic strength based on the combination of its income and assets. The problem for Connecticut residents is that the standard methodology is both unfair and unrealistic. It fails to take into account regional differences in the cost of living or in the value of real estate. To illustrate, a Connecticut family with an annual income of $50,000 has in reality less discretionary income for college costs than a family with the same income in Nebraska, because the cost of living is so much higher here. This very real economic difference is not reflected in the needs analysis. Moreover, the identical family home will have a much greater value in Connecticut because of the still relatively high cost of housing. This makes the Connecticut family appear wealthier than the Nebraska family, and wealtheir than it actually is, even as its spendable income buys less.

Connecticut has taken steps to compensate for the decrease in Federal aid, the shift from grants to loans, the rigidity of need criteria for student loan eligibility, and the inequity inherent in the standard Federal methodology for determining financial need:

1. The State has significantly increased financial aid for students attending Connecticut's public and private institutions of higher education, from $6.9 million in FY 1984-85 to $19.8 million this fiscal year.

2. Colleges and universities can now calculate student financial need for state-funded student employment purposes without considering the real estate equity in a principal residence. Colleges may also county only 30 percent, instead of the Federally required 70 percent, of students' earnings as assets in determining eligibility for such student employment.

3. We have established a successful program of College Family Savings Bonds to help parents, grandparents, and others save for higher education. The bonds pay the interest and principal in a lump sum when they mature, and the interest earned is tax exempt.

4. Proceeds from the state's sale of tax exempt bonds are also being used to make loans available to student at interest rates lower than those offered by banks or other loan programs, although the rate is higher than the rate for Federally guaranteed low interest loans to students whose families have incomes below the specified level.

There is, however, only so much we can do within the limits of the present Federal financial need standard. On behalf of the Connecticut students whose future depends on access to higher education, and their families, and on behalf of those of us in the state's higher education community and State government, who understand that higher education is truly an investment in a better future for us all, we ask that you take these concerns into account as you consider reauthorization of the Higher Education Act and convey to Congress the following proposals:

1. Adjust Federal financial aid formulas to reduce the student contribution level for students from low-income families.

2. Increase funding and access for Pell grant and College Work-Study programs and strike a more equitable balance between loan and grant programs.

3. Increase access to Federal financial aid for needy families above the $20,000 income level.

4. Reconsider the Federal needs analysis system so that family asset worth is not inflated disproportionately to acutal cash resources, regional differences in the cost of living are taken into account, a dependent student's earnings are assessed at a rate lower than 70 percent, and more flexibility is permitted for states to augment student financial aid without supplanting Federal spending.

5. Restore fairness in Federal student aid by allowing students to use that aid in a wide array of higher education, technical and occupational programs which provide for the learning and training needs of our workforce and society.

For more and more of our citizens, higher education is becoming less a bridge to the future and more an insurmountable financial hurdle. For too many others, they are asked to mortgage the very future for which higher education is preparing them. Each State must do its part, and Connecticut is struggling mightily to do so. All we ask of you is that Congress infuse the funding and needs analysis on which we rely with new measurs of fairness, reasonableness and flexibility as we join in the common cause of acces and opportunity in higher education.

Senator DODD. Thank you, Kevin, very, very much.

I should mention, after Norma's comments, back in 1986 with what I call the so-called—Tax Reform Act of 1986, I offered to retain IRA's in alloving for an education and housing opportunity for first-time home buyers. We lost that vote on the floor of the Senate by one vote to retain IRA's in 1986. Today, I am a principal cosponsor of Senator Bentsen's new proposal to bring IRA deductions back. The votein 1986 was one of the great mistakes made in 1986 on the assumpton that we were not creating new savings but rather moving savings around. We now know as a result of a Merrill Lynch study that, in fact, contrary to most people's beliefs, Americans are geneically capable of saving. We generated something in the neighborhood of $290 billion in savings in a matter of about 6 years. And what a difference it would make to borrow from ourselves, as regrettble as a deficit is, rather than borrowing $750 million every day, 7days a week, every day of the year from offshore to finance our domestic obligations, our public obligations. And that is what we are doing. Talk about mortgaging a future? The paper is being held by our so-called allies around the world. That ought to incene everyone's sense of patriotism, in a sense, of what is happening to this country's future. So the IRA's, I think, are going to have a good chance of coming back in and making some difference.

I would point out as well—in fact, I will introduce legislation in a couple of weeks. I didn't even know that in 1986 included provisions to part of that so-called reform bill also tax scholarships. Some forms of schlarships are actually now considered taxable income under the 186 tax reform bill. So here we were providing scholarships to peole to go on in education, and then requiring them to go to workto pay the taxes on the scholarships they receive. Talk about vorking at counter-purposes. So there are a number of pieces thre that we hope to clean up this year.

Anyway, Mr. Tonin, thank you so much again for your opening of the doors of this ne institution.

Mr. TONKIN. Senator, I want to welcome you here today and also the other honored uests whom we have with us to discuss a subject that has profund implications for our society: Access and choice for all who qalify for higher education. Many of the things that I would have aid have been already said, and as a result my testimony will be sorter than it would otherwise have been. You will find, I suspec, a remarkable degree of unanimity in this group.

Let me say up frot that we here at this university, like academic administrators elewhere, face a fundamental problem: The Federal share of fundig for higher education is, as we have noticed,

steadily declining. The question is: How do we deal with this and how do we also assess the broad social implications of such a development?

Do we as a Nation want students whose parents are not well-to-do to continue to have access and choice in pursuing higher education?

If we are unable or unwilling to help these students, what social costs will we as a society before forced to bear further down the road?

Unless we provide access and choice for these students to higher education now, how will we ever compete in the international markets of tomorrow?

Now, whereas in the past a basic education was all that was required for an American to earn a good living and participate in the American dream, in today's technological society, much more is required: We need a highly skilled and adaptable workforce if we are going to compete effectively. Once a college degree was a rarity, but today it is very often a necessity.

Now, of course, it is Congress that in large measure establishes our Nation's domestic agenda, and it is critical that the Congress firm up its partnership with the higher education community as we pursue the common goal of providing those educational resources necessary for the American people to compete effectively in the world of the 21st Century. Our prosperity really depends upon it, and also our viability as a democracy requires an educated citizenry.

Congress may inadvertently be permitting the erosion of an important piece of that American dream; namely, bettering one's self through education. There are too many people who are educational rejects in our society for one reason or another, and one of those reasons is money. We can either pay the price now through an increase in grants and affordable student loans; or we can pay later, as an under-educated population becomes increasingly disadvantaged by the realities of the global marketplace, and our lack of investment in the future translates, when that future arrives, into a lack of returns and a loss of competitiveness.

The fundamental question confronting us is where America ranks access to higher education on our list of national priorities. Central to the question of access is the equally compelling question of what role the Federal Government should play in providing financial assistance to those who are in need.

There was a recent article in *Change* magazine that pointed out that of the $474 billion increase in total Federal outlays between 1980 and 1988, less than $1 billion—lee than one-quarter of one percent of the total increase—was devoted to education and training. Of that amount, virtually the entire increase in Federal assistance, the article goes on, was in the form of loans—which is, in an important sense, a mortgage on our future.

The Federal Government's ambivalence toward the plight of students is hurting most precisely those about whom Congress says it cares particularly—the middle class and the poor—and we in the community of independent colleges and universities are being increasingly called upon to pick up the slack.

The figures for the University of Hartford are striking, though they are hardly unique. Over the past 5 years, between 1986 and 1990, our tuition has risen by 45 percent.

Over the same 5 years, Federal financial assistance programs have risen by 20 percent.

The comparison is even more dramatic if we focus on the two Federal grant programs. They account ultimately for only 5.5 percent of our total outlay.

Now, what has happened is that Federal grant programs have risen somewhat, then, but the increase under any circumstances is from a relatively modest base. Federal loan funds have also increased, but on a somewhat larger base. But the most significant increase has been funded by the university, in part by private philanthropy, but mostly, quite honestly, by increased tuition and by expenditure cutbacks. So, in effect, we are taxing some of our students in order to finance the education of others. Actually within the institution, we have created our own local taxation system.

I have a number of statistics that I will pass on to you concerning precisely how the financial aid picture works out on this campus. But I can summarize by saying that our experience at the University of Hartford is that maintaining access and choice in recent years has largely been a result of two factors: Increased borrowing by students and parents, and a doubling in the financial aid provided from university and State funds.

This kind of increase is one that we can't too long sustain. We are witnessing a shift of the burden of meeting rising costs to students and parents and educational institutions like ours. Most institutions of higher learning are, like the University of Hartford, at least in the private sector, tuition-driven with relatively little endowment. There is the assumption that most private higher education institutions have large endowments. That is not so. The vast majority have very small endowments. Tuition and fees at the university represent approximately 69 percent of the total operating budget, and when combined with auxiliary enterprises, they represent about 88 percent of the operating budget.

The State of Connecticut provides us with over $1 million per year under the CICS program, the Connecticut Independent College Student Grant Program; but given the State of the local economy and despite the strong support of numbers of local politicians, it is unlikely that the CICS program, level funded for 2 years, will offer increased relief this year. In the meantime, a large portion of annual incremental increases in tuition is diverted to financial assistance at a time when we are actually playing catch-up with salaries, when we face huge increases in health insurance costs, and have a deferred maintenance bill in excess of $20 million. We have thought about leaving the light bulbs out in this particular building but decided against it. Deferred maintenance right here is working rather well. But we have, indeed, a problem out there across the campus.

The point is frequently made that college and university tuition rates have in recent years risen more sharply that the consumer price index. While that may be true, the facts are that Federal student aid has not kept pace with inflation during the decade of the

1980's. Higher education has had to plug the gap. This is not the only factor in rising college costs, but it is a very important one.

The University of Hartford believes strongly in access, choice, and diversity. That is why we have introduced our half-tuition program for the residents of the city of Hartford, a program which has received considerable support from private philanthropy. That is why we maintain a commitment to students from middle-income groups. For a private university to survive, it must have a student aid program that meets the needs of its student population. It cannot and should not limit itself to students from wealthy families. We have been much encouraged, Senator, by your own concern for the situation of the middle-income student, who needs Federal support to stay in independent higher education. The more we push these students into public higher education, the greater the cost in overall public dollars ultimately becomes.

It is also worth pointing out that the issue is not only increasing the funds available, but making the very best use of the funds we have, with a minimum of administrative costs and by using them to support bona fide students in bona fide programs administered effectively. Some of the additional issues having to do with the current administration of such funds have already been mentioned. The question of the balance between loans and grants, for example; the question of taxation of scholarships, which is surely the most short-sighted thing one could possibly do—it is robbing Peter to pay Paul; and the question of child care, which I think is increasingly important.

So we are really at a critical point in the Nation's commitment to postsecondary education. The reauthorization of the Higher Education Act provides an opportunity to revisit Federal aid programs. I am aware that the Federal deficit is a matter of the gravest concern, but education is surely not the place to effect false economies. And I urge you, therefore, to support more adequate and reliable grant assistance for needy students, targeting a greater amount to the neediest and extending assistance to dependents of working poor and moderate-income families. I also urge your support for the expansion of loan availability to meet student and family cash-flow needs, provide more flexible repayment options to reduce the adverse impact of borrowing on those students who are most at risk, and at the same time reduce the Federal cost per dollar loaned.

It is also extremely important for us to try to address that issue of the middle-income student, if we possibly can. That kind of student is crucially important to an institution like this.

I would like to thank you, Senator, and also your staff for the interest you have shown in helping our students and others throughout the United States who want to fund their education. Only through congressional action to increase the availability of Federal grants and affordable loans can America hope to remain competitive in the world of tomorrow. And that surely has to be one of our principal goals.

I thank you very much for holding these hearings and for listening to our concerns.

[The prepared statement of Mr. Tonkin follows:]

PREPARED STATEMENT OF MR. TONKIN

Senator Dodd, honored guests, I am Humphrey Tonkin, President of the University of Hartford, northern Connecticut's largest comprehensive independent university. I am delighted to welcome you to our campus today to discuss a subject that has profound implications for our society—access and choice for all who qualify for higher education.

Let me say up front that we here at the University, like academic administrators elsewhere, face a fundamental problem: The Federal share of funding for higher education is steadily declining. How are we to deal with this and how are we to assess the broad social consequences of such a development?

—Do we as a nation want students whose parents are not well-to-do to continue to have access and choice in pursuing higher education?

—If we are unable or unwilling to help these students, what social costs will we as a society be forced to bear further down the road?

—Unless we provide access and choice for these students to higher education now, how will we ever compete in the international markets of tomorrow?

Whereas in the past a basic education was all that was required for an American to earn a good living and participate in the American dream, in today's technological society much more is required: We need a highly skilled and adaptable work force if we are to compete. Once a college degree was a rarity. Today it is often a necessity.

It is Congress that in large measure establishes our nation's domestic agenda. It is critical that the Congress firm up its partnership with the higher education community as we pursue the common goal of providing those educational resources necessary for the American people to compete effectively in the world of the 21st century. Our prosperity depends upon it, and our viability as a democracy requires an educated citizenry.

Congress may inadvertently be permitting the erosion of an American dream—bettering one's self through education. We can either pay the price now through an increase in grants and affordable student loans; or we can pay later, as an undereducated population becomes increasingly disadvantaged by the realities of the global marketplace, and our lack of investment in the future translates into a lack of returns and a loss of competitiveness.

One remembers the story of Horatio Alger, who through pure pluck and ambition was able to change his circumstances in life. Today, poor Horatio would not stand a chance in our increasingly complex marketplace. Indeed, Henry Ford, Andrew Carnegie and Thomas Edison, who, despite their lack of formal education, were able to create vast industrial empires, today could not even land meaningful jobs in the companies they founded, without a bachelors degree. All came from families of modest means and would today have needed financial assistance to complete their degree programs. How many Fords, Carnegies and Edisons of tomorrow will be denied the chance to make a full contribution of their talents to our civilization because Federal support for their education is less than adequate?

The fundamental question confronting us at today's hearing is where America ranks access to higher education on our list of national priorities. Central to the question of access is the equally compelling question of what role the Federal government should play in providing financial assistance to those who are in need.

A recent article in *Change* magazine pointed out that of the $474 billion increase in total Federal outlays between 1980 and 1988, less than one billion dollars—less than one quarter of one percent of the total increase—was devoted to education and training. Of that amount, virtually the entire increase in Federal assistance, the article continues, was in the form of loans—a mortgage on our future.

The Federal government's ambivalence toward the plight of students is hurting most precisely those about whom Congress says it cares most: The middle-class and the poor, and we in the community of independent colleges and universities are being increasingly called upon to pick up the slack.

The figures for the University of Hartford are striking, albeit hardly unique among institutions of higher learning. Over the past five years (1986-87 to 1990-91) our tuition has risen 45 percent.

Over the same five years, Federal financial assistance programs—Pell grants, SEOG, College Work Study, Guaranteed Student Loan, Perkins Loan—have risen by only 20 percent.

The comparison is even more dramatic if we focus on the two Federal grant programs, Pell and SEOG. Over the five year period they are up 29 percent, but only comprise 5½ percent of our total financial aid budget.

The Perkins and G.S.L. loan programs account for 24 percent of the financial aid budget. The University funds a whopping 62 percent of the total, up to 88 percent over the last five years.

What has happened is the following: Federal grant programs have risen somewhat, but the increase is from a relatively modest base. Federal loan funds have also increased, but on a somewhat larger base. The most significant increase has been funded by the University, in part by private philanthropy, but mostly by increased tuition and by expenditure cutbacks.

A more detailed examination of the figures reveals the following:

—Pell grants over the last five years have risen from $454,000 (1986–87) to $650,000 (1990–91), a 43 percent increase, but over a longer term, 1981 to 1990, funding for this program remains unchanged;

—SEOG over the last five years has increased from $380,000 to $428,000, a 15 percent increase;

—College Work Study over the same 5-year period is up $58,000 to $300,000, a 24 percent increase;

—Guaranteed Student Loan monies have gone from $3,491,000 to $4,246,000, up 22 percent;

—Perkins Loan funds have dropped from $501,000 to $450,000, down 12 percent.

—University aid programs over the same 5-year period have risen from $4,933,000 to $9,200,000, an 88 percent increase. The University currently makes an additional $3,086,000 available as aid through tuition remission, graduate stipends, resident assistantships and similar programs, up from $1,200,000 five years ago. Taking these into account, total University funded assistance this year comes to $12,286,000, up 100 percent over five years ago.

To summarize the current year:

Funds for Assistance

Federal programs (Pell, SEOG, Work Study, G.S.L., Perkins Loan) at 30.6 percent	$6,074,000
Connecticut Independent College Student Grant Program 7.6 percent	$1,500,000
University funds 61.8 percent	$12,286,000
Total 100.0 percent	$19,860,000

But that is not the whole story. In recent years we have seen the introduction of State and other educational loan programs which, incidentally, require immediate repayment. In 1988 these totalled $989,500; this year they rise to $2,803,000. When these additional figures are added to the equation, the Federal portion of this year's financial aid dollars drops from 30.6 percent to 26.8 percent!

Our experience at the University of Hartford, therefore, is that maintaining access and choice in recent years has largely been a result of two factors: Increased borrowing by students and parents, and a doubling in the financial aid provided from University and State funds.

But, allow me to put a human face on the question before us today by providing you with a few case studies involving University of Hartford students.

The first involves a 23-year old single parent from Hartford. This woman came to us as a transfer student. As her only source of income, she receives aid to dependent families with children. Over the past couple of years the University has packaged a variety of Federal, State and institutional financial aid funds, making it possible for her to graduate with honors this May. Her aid package this year included a $2,300 Pell grant and $500 SEOG; the preponderant support came from $9,400 in University of Hartford and State aid.

The second example involves a working class family of five, with two children in attendance at the University at the same time. The family qualifies for our half-tuition family grant program, part of the financial assistance package which we assembled. The combined total for the two students is: $1,250 SEOG; $2,000 College Work Study; $1,250 Perkins loan; $4,000 Stafford loan; earnings of $3,500 by each

student; $19,566 University and State funds. Without massive University support it is clear that neither student would have been able to attend the University.

The third and final example involves a young woman whose father is involved in residential real estate. The family, whose 1988 income was in excess of $80,000, did not seek financial assistance during the student's first two years at the University. The recent decline in the real estate market has, however, resulted in a dramatic loss of family income, which plummeted by $50,000 in 1990. The parents, to use their words, "swallowed their pride" and requested assistance so that their daughter, the last child in the family to attend college, could complete her education. After submitting numerous forms and working with our Student Financial Assistance office, staff have used "professional judgment" to lower the expected family contribution, the result being that this student will complete her degree program on time. The student's financial aid package included a $4,000 Stafford loan and a $10,000 non-Federal loan. Unfortunately, the family applied for assistance late in the year, the result being that all University funds had already been committed. Because we ran out of funds, the student has picked up $14,000 in loans for her final year at the University.

We are witnessing, then, a shift of the burden of meeting rising costs to students, parents, and educational institutions like ours. Most institutions of higher learning are, like the University of Hartford, tuition driven with little endowment. Tuition and fees at the University represent approximately 69 percent of the total operating budget and, when combined with auxiliary enterprises, represent about 88 percent of the operating budget. The State of Connecticut provides us with over $1 million per year under CICS, the Connecticut Independent College Student Grant Program, but given the State of the local economy, it is unlikely that the CICS Program, level-funded for two years, will offer increased relief. In the meantime, a large portion of annual incremental increases in tuition is diverted to financial assistance at a time when we are playing catchup with salaries, face huge increases in health-insurance costs, and have a deferred maintenance bill in excess of $20 million. This rising spiral of prices and costs cannot continue. We need help!

The point is frequently made that college and university tuition rates have in recent years risen more sharply than the consumer price index. While that may be true, the facts are that Federal student aid has not kept pace with inflation during the decade of the '80s. Higher education has had to plug the gap. This is not the only factor in rising college costs, but it is a very important one.

The University of Hartford believes strongly in access, choice, and diversity. That is why we have introduced our Half-Tuition Program for the residents of the City of Hartford, a program which has received considerable support from private philanthropy. That is why we maintain a commitment to students from middle-income groups. For a private university to survive it must have a student aid program that meets the needs of the entire student population. It cannot and should not limit itself to students from wealthy families. We have been much encouraged, Senator, by your own concern for the situation of the middle-income student, who needs Federal support to stay in independent higher education. The more we push these students into public higher education, the greater the cost in overall public dollars becomes.

It is also worth pointing out that the issue is not only increasing the funds available, but making the very best use of the funds we have—with a minimum of administrative costs and by using them to support bona fide students in boda fide programs administered effectively.

We are at a critical point in the nation's commitment to postsecondary education. The Reauthorization of the Higher Education Act provides an opportunity to revisit Federal aid programs. I am aware that the Federal deficit is a matter of the gravest concern, but education is surely not the place to effect false economies. I urge you, therefore, to support more adequate and reliable grant assistance for needy students, targeting a greater amount to the neediest and extending assistance to dependents of working poor and moderate-income families. I also urge your support for the expansion of loan availability to meet student and family cash flow needs, provide more flexible repayment options to reduce the adverse impact of borrowing on those students most at risk, and at the same time reduce the Federal cost per dollar loaned.

Senator Dodd, I would like to thank you and your staff for the interest you have shown in helping our students, and others throughout the United States, fund their postsecondary educations. Only through Congressional action to increase the availability of Federal grants and affordable loans for students today can America hope to remain competitive in world markets of tomorrow.

May I also thank you and your staff for doing us the honor of holding these hearings on the campus of the University of Hartford.

Senator DODD. Thank you very much, Dr. Tonkin.

Dr. Hartley, welcome. I mentioned Duke last evening, but it is really terribly remiss of me not to mention the tremendous success of the women's final four.

Mr. HARTLEY. Absolutely, and we are going to be number one next year on the women's team. Guaranteed.

Ms. GLASGOW. No. 1 in Connecticut this year.

Mr. HARTLEY. Well, thank you. At least in eastern Connecticut.

Mr. SULLIVAN. Now if we could just give Harry a university that the basketball team can be proud of.

Senator DODD. Absolutely.

Mr. HARTLEY. That is an interesting beginning point, Senator.

Senator Dodd, it is very nice to be here. Thank you for your invitation. I am also looking forward to welcoming you to Storrs this afternoon. There will be some hearings. You will meet some students. And it is a bittersweet climate, environment, if you will, and feeling that I have. All the pride throughout the State in both our men's and women's basketball program, the women's soccer program was number two in the country, the health center with many things going on, and yet when you come to the campus itself, there is a feeling of sadness, frustration, despair, and you are going to see some of that today with our students.

I liked in your opening comments your observation that the State of Connecticut you conceive of as family. I certainly conceive of the university that way. With all the excitement in the fall when I first came to the position, I appreciate you call and so on.

Today, 300 additional members of my family will be eliminated, and from a student perspective—it is bad enough that we are losing our family members, but the students have the real fear that maybe they will be asked to complete their programs in 5 years, not 4 years. Maybe the ultimate penalty or tax, if you would, is to ask a person to devote another year because we don't have the faculty, we don't have the teaching positions, we don't have the support to provide a 4-year program, which students entered the university in good faith expecting they would complete. So I am simply alerting you that the problems of the State certainly are in Storrs this morning and this afternoon, and I hope when you come out that you will find the students certainly are supporting everything that you are doing on behalf of financial aid. So we welcome you.

I appreciate the invitation to participate in this field hearing on access and choice in higher education and the role of Federal financial aid programs. I also want to commend you for introducing the Better Access to Student Aid Act of 1991, and you also invited the University of Connecticut to share thoughts, and some of those are incorporated in your drafting of the bill, which we appreciate.

This legislation includes changes in home equity and student contribution formulas, provisions which have unfairly restricted access to financial aid by penalizing students for working, and penalizing parents for living in areas where the cost of living is high.

The University of Connecticut, with its health center and with its total of about 26,000 students, is the only public university in

New England that is designated a research one status by the Carnegie Foundation. Thus, Federal assistance for both financial aid and research is essential in achieving our mission as a land grant flagship school to provide high quality education, public service, and research for the State and its residents. With the current economic downturn in Connecticut and across the Nation, prospective students are increasingly turning to public institutions because of the quality and cost of the services. UConn in particular this year, and perhaps partly because of the success of the basketball program, our applications have increased 14 percent over last year. And we are preparing right now a waiting list of about 600 students who meet our admissions requirements but cannot be accepted at this time due to our inability to accommodate a large freshman class. At UConn, our major challenge is to maintain accessibility for qualified students and to maintain the quality and integrity of our existing programs in light of the projected—until this morning—the 10 percent reduction in our State current services budget. God knows what the full impact of the reduction will be. But, in effect, major retrenchment, major staff reductions that certainly translate into erosion of programs and erosion of support for the students.

On the Federal side, the administration's proposed budget for financial aid programs in fiscal year 1991, is passed, could further reduce accessibility to the University of Connecticut. A copy of the letter I sent to members of the Connecticut congressional delegation was attached for the record. In short, the present budget proposal calls for an increase in the Pell grant program, but it targets aid to families with incomes of less than $10,000. This change, according to the American Council on Education, could remove an estimated 400,000 low- to middle-income people nationwide from this program. The College Work-Study Program and the Supplemental Educational Opportunity Grants program are substantially reduced, and Perkins loans are eliminated. The College Work-Study cut also includes a proposal to decrease the Federal contribution from 75 percent to 50 percent, which would have to be made up by institutional support. Combined with the possibility of severe restrictions and reductions in State funds for student labor, this could result in an even greater financial hardship for many students who depend on that aid.

I might add I am very appreciative of the support Senator Sullivan, Representatives Pelto and Wyman in addressing the issue of student labor for the university.

Connecticut's economic woes have not only had a devastating effect on the university, but on students themselves. The total dollar amount of requested deferments for the spring of 1991, the current semester, has increased nearly 50 percent over the spring of 1990. This is requests for deferments, up 50 percent. Nearly 8,000 of the more than 21,000 full-time students at UConn presently receive some form of financial aid. Over 3,000 students were turned down for aid. Of those, 169 students whose family income was below $20,000 were turned down, mostly due to the Federal student contribution levels. Another 776 students whose family income was in the $20,000 to $50,000 range were turned down as well. Families, particularly those at the lower end of this income

range, face significant financial challenges in according higher education in a State which has a very high cost of living and very high property value levels. Students in this income range had depended on Stafford loans to help pay their costs. But in 1987, when formulas become solely need-based, the number of students eligible for loans dropped. In 1986-87, 4,791 students at UConn received about $12 million in Stafford loans. In 1988-89, only 2,054 students received about $6 million in Stafford loans.

In a later panel, you will hear financial aid stories from several of our UConn students. I think they are the best speakers of all in that they are the ultimate client of our organization. Their problems may sound complex, yet they really typify the present difficulty of being able to afford 4 years of college. Our financial aid office has to attempt to come up with a patchwork of Federal and State loans, grants, and scholarships to help low- and middle-income students cover enough of the cost to keep students enrolled.

The reauthorization of the Higher Education Act of 1986 offers Congress the opportunity to pull these patchwork programs together to help ensure that those students who need financial aid will be eligible. I want to commend you, Senator Dodd, for addressing these issues and attempting to increase access and choice for financial aid. I agree with you that higher education is an investment in our future. Improvements in financial aid programs will help today's students from all income levels stay in college and best train them to join a workforce that depends on knowledgeable and skilled people.

I thank you for the opportunity to testify.

[The prepared statement of Mr. Hartley follows:]

Prepared Statement of Mr. Hartley

I want to thank Senator Dodd for inviting me to participate in this field hearing on access and choice in higher education and the role of Federal financial aid programs. I also want to commend the Senator for introducing "The Better Access to Student Aid Act of 1991," and requesting and including University of Connecticut input in drafting the bill. This legislation includes changes in home equity and student contribution formulas, provisions which have unfairly restricted acces to financial aid by penalizing students for working, and penalizing parents for living in areas where the cost of living is high.

The University of Connecticut is the largest public research university in New England. Federal assistance for both financial aid and research is essential in achieving our mission to provide high quality education, public service and research for the State and its residents. With the recent economic downturn in Connecticut and across the nation, prospective students are increasingly turning to public institutions because of the quality and cost of the services. At the University of Connecticut, applications have increased nearly 14 percent for next year, and we are preparing a waiting list of about 600 students who meet our admissions requirements, but cannot be accepted at this time due to our inability to accommodate a large freshman class. In contrast, private universities throughout the northeast are witnessing a drop in applicants of up to 30 percent. At UConn, our majority challenge is to maintain accessibility for qualified students and the quality and integrity of our existing programs in light of the projected ten percent reduction in our State current services budget for 1991-92.

On the Federal side, the Administration's proposed budget for financial aid programs in FY 91-92, is passed, could further reduce accessibility to the University. A copy of a letter I sent to members of the Connecticut Congressional delegation is attached for the record. In short, the budget proposal calls for an increase in the Pell grant program, but targets aid to families with incomes of less than $10,000 This change, according to the American Council on Education, could remove an estimated 400,000 low- to middle-income people nationwide from this program. The Col-

lege Work Study Program and the Supplemental Educational Opportunity Grants program are substantially reduced, and Perkins Loans are eliminated. The College Work Study cut also includes a proposal to decrease the Federal contribution from 75 percent to 50 percent, which would have to be made up by institutional support. Combined with the possibility of severe reductions in State funds for student labor, this could result in an even greater financial hardship for many students who depend on that aid.

Connecticut's economic woes have not only had an effect on the University, but on students themselves. The total dollar amount of requested deferments for the Spring of 1991, has increased nearly 50 percent over the Spring of 1990. Nearly 8,000 of the more than 21,000 full-time students at UConn presently receive some form of financial aid. Over 3,000 students were turned down for aid. Of those, 169 students whose family income was below $20,000 were turned down, mostly due to the Federal student contribution levels. Another 776 students whose family income was in the $20,000 to $50,000 range were turned down as well. Families, particularly those a the lower end of this income range, face significant financial challenges in affording higher education in a State which has a very high cost of living and very high property value levels. Students in this income range had depended on Stafford loans to help pay their costs. But, in 1987, when formulas became solely need based, the number of students eligible for loans dropped. In 1986-87, 4,791 students at UConn received $11,989,000 in Stafford loans. By 1988-89, only 2,054 received $5,900,000 in Stafford loans.

In the second panel, you will hear financial aid stories from two UConn students. Their problems may sound complex, yet they really typify the present difficulty of being able to afford four years of college. Our financial aid office has to attempt to come up with a patchwork of Federal and State loans, grants and scholarships to help low- and middle-income students cover enough of the cost to keep students enrolled.

The reauthorization of the Higher Education Act of 1986 offers Congress the opportunity to pull these patchwork programs together to help ensure that those students who need financial aid will be eligible. I want to commend Senator Dodd for addressing these issues and attempting to increase access and choice for financial aid. Higher education is an investment in our future. Improvements in financial aid programs will help today's students stay in college, and best train them to join a workforce that depends on knowledgable and skilled people.

Thank you for the opportunity to testify today.

Senator DODD. Thank you, Dr. Hartley, very much. I am looking forward to being out at the campus this afternoon. Thank you for allowing me to be there.

Mr. HARTLEY. You are welcome.

Senator DODD. Dr. Beal.

Mr. BEAL. Thank you, Senator. I may have one or two unique distinctions in being here.

Senator DODD. You sort of remind me, you know, of that wonderful story of the fellow who became Zsa Zsa Gabor's 7th husband.

Mr. BEAL. Is this going to be a compliment?

Senator DODD. He said at that time, "I know what I got to do, but I will be damned if I know how to make it interesting." [Laughter.]

Mr. BEAL. Well, it is not the first time they put me at the end of the line, but I shall do my best.

I do have this rather unique distinction. I don't know, I guess I am the oldest one on the panel. That means that I can make this point, and I want to make it very clear to you. There was a young man who came back from the Navy in 1946 who wondered what he was going to do with his life. He was a farm boy with very little money, and the GI bill put him through Ohio State University. And he is sitting before you today, and he has never forgotten where the priorities of this country were.

Now, I don't think there was all the insight in the world as to, you know, what was going on when this patriotic splurge came forward to educate the GI. But the point I am making is that it was economically one of the best investments this country ever made.

Senator DODD. Without any question.

Mr. BEAL. I worry very much that over the past number of years we tend to have moved away from this and assume that this has become almost a liability rather than an asset. So the hair is white, but I still have memory left. And I can still appreciate what our Senator from this State is doing, yourself in particular, to establish certain priorities, not only in Connecticut but particularly in Washington to aid students who are trying to get an education, because you clearly demonstrate to us all that this will pay off for this country. In the end, it is about the only thing that we really can count upon.

As you know, Connecticut State University is a system of four campuses, some 38,000 students. My good friend on the right here, where they play a lot of basketball, usually does not point this out, that we have three national NCAA championships in the State of Connecticut.

Senator DODD. That is true.

Mr. BEAL. Two of them in Eastern, where there is a campus nearby Eastern, I guess, two there and one at Southern in soccer. So we do rank nationally in this State.

Senator DODD. Bridgeport in Division 2.

Mr. BEAL. Right, right. So we urge Harry to do his best and will help him in any way we can.

There are 38,000 students in this system and about 150,000 alumni, and 90 percent of them living in the State of Connecticut and paying taxes and hoping that they can pave the way for others to follow.

I think the issue with our students is that they are caught in this pincer of restraints between not being needy enough or wealthy enough. This has imposed upon them severe constraints because they rely really on two means of underwriting their studies: Full-time or part-time work and student financial aid, a diminishing proportion of which is Federal aid. So my first request is that the Congress consider the significance of our students' work ethic and not penalize our students by requiring that 70 percent of their earnings be devoted to meeting education costs. We suggest lowering this percentage to around 35 percent, and I think you are in favor of this—I know you are—and that a more realistic housing allowance recognized the fact of expensive housing on Connecticut.

This is spelled out in more detail, and I will just highlight it in the interest of time. On the Stafford loan eligibility, since 1986 this loan program has diminished as an option for CSU students. Taking Southern Connecticut State University as an example, in 1985 1,200 students benefited from this program; 200 benefited from it in 1990. Was this because of a lack of need? Not at all. It was constrained need assessment. Those once eligible no longer qualify.

You should be aware that we collect over 90 percent of the Perkins loans, and we are particularly proud of this record. So this shift in those who qualify from 60 percent to 70 percent, now down

to 40 percent, has been merely a matter of redefining need. We are delighted that you are taking the leadership in attempting to turn this around.

To address this change in Federal definition, Connecticut has allowed three percent of the State's financial aid dollars to make up the difference, using local not Federal definitions of need, but only for work-study purposes. It does raise the interesting public policy issue: To what extent should States supplement or supplant Federal aid? I think we would agree it should supplement, not be supplanting Federal aid.

We have witnessed in the past 10 years a significant shift from full-time to part-time study on the 38,000 students we enroll. Forty-seven percent of our students are now part-time, an increase of 36 percent in 10 years. Now, a host of problems and issues surround the part-time student. Remember, they are no longer the stereotyped dilettante of generations ago. A vast majority now are serious degree students who need every encouragement to accelerate progress toward a degree. We suggest enhancement of financial aid to these students is very much needed.

Let me talk for a minute about the interest on student loans. I submit that obtaining a college education and borrowing to do so is at least as much an advantage to the Nation as purchasing a house. Why, then, do we disallow the deduction of interest on higher education loans on the Federal income tax? I note that I think you are supportive of taking a hard look at this in you bill.

On the matter of the Pell grants, why diminish eligibility on incomes between $20,000 and $25,000? Our figures show projections that reduce grants by 40 percent in this population, some $628 on average. It would seem to negate any gains from increased benefits to families earning $15,000 or less attending independent colleges, and it impacts some 750,000 students at the very least in this country.

More, not less, is needed in this category of aid. Grants should be decreased as much as possible in terms of the burden of indebtedness.

I will conclude with a statement that merely says that we wholeheartedly agree with the proposals contained in your bill, the adjustment to home equity rule that those under $40,000 are exempt; deduct child care costs, particularly for single parents; lifting the income cap to $25,000 on needs tests; and lowering the percentage of earning required to be contributed to education costs.

Finally, you will recall, I think, that at a recent hearing you met a young man from Center Connecticut State University, Tim O'Brien.

Senator DODD. Yes.

Mr. BEAL. So I thank you on behalf of Tim and all the students who are enrolled and who will be enrolled in Connecticut State University, the students we serve, for allowing them to express our concerns relative to Title IV of the Higher Education Act. You heard Tim, a senior from Colchester studying at Central. Tim reported that graduate school seemed an impossibility for him, given the level of debt he has incurred pursuing his undergraduate studies at Central. I truly hope that Tim's indebtedness does not pre-

vent him from developing the skills that he so ably demonstrated to you at that hearing.

With your continued support and encouragement, we feel much more assured that Tim and the countless others like him consider a college education a reality that ultimately will benefit us all. I thank you for coming and for being able to appear before you this morning.

[The prepared statement of Mr. Beal follows:]

Prepared Statement of Mr. Beal

The Connecticut State University (CSU), a system comprised of Central, Eastern, Southern and Western Connecticut State Universities, is a statewide comprehensive public university committed to the twin higher education goals of academic excellence and access. It is this latter goal, however—accessibility—that I wish to emphasize during today's hearing on Title IV of the Higher Education Act.

CSU currently serves more than 38,000 students, over 90 percent of whom are State residents. Also, 90 percent of the CSU alumni will remain in Connecticut after graduation. Consequently, CSU alumni—over 150,000 strong—contribute as taxpayers and as part of this state's educated workforce. Yet increasingly, CSU students are finding that they are neither "needy" enough to qualify for Federal student aid, nor wealthy enough so that financial assistance is not a concern.

While in school, the vast majority of our students rely on two means of underwriting their studies: (1) through part-time, and occasionally full-time work as they attend classes; and (2) through student financial aid programs, of which the Federal programs are a significant, albeit diminishing portion. We ask, therefore, that you consider the significance of this work ethic of our students as you rewrite the Higher Education Act.

Congressional Methodology

It is our position that the current student aid formula—by Congressional Methodology—penalizes our working students by requiring that 70 percent of their annual earnings be devoted to meeting education costs. We believe that this policy, in effect, serves as a disincentive to employment for those whose economic survival depends on it. Additionally, the formula does not provide for a realistic housing allowance in determining equity, a factor that works against students who live in our very expensive state. Thus, the expensive housing in Connecticut makes it appear that our students are wealthier than they really are.

Accordingly, we ask you to consider adjusting the need formula by lowering what our aid officers call the "taxation rate" on base year earnings of dependent students from the current 70 percent of their earnings to 35 percent. Also, we ask that you adjust the formula to provide for a more realistic housing allowance. This action would alleviate what we have observed to be a shift away from Federal student aid over the past decade.

Stafford Loan Eligibility

Since the 1986 reauthorization of the Higher Education Act, the Stafford (Guaranteed Student) Loan Program has become less of an option for our students. At Southern Connecticut State University, for example, over 1200 students received these loans in 1985. Last year, that number was just over 200, a significant reduction indeed. This reduction was not due to a lack of need, but rather to constrained need assessment. In a word, people who were once eligible are no longer able to qualify for this loan program.

We ask, therefore, that the Stafford loan be made more accessible to middle-income families, as was originally intended, by making the eligibility criteria for this program more sensitive to their circumstances. If this entails creating a more generous need assessment formula for the Stafford loan Program than for other Federal aid programs, then so be it. In any event, our records demonstrate that CSU students, by-and-large, do not default on their loans. We collect well over 90 percent of the Perkins Loans across the system, a collection rate we report proudly.

Shift from Federal to State Aid

Our aid officers report that the Congressional Methodology required to assess need for all Federal financial aid programs, and the shift of Stafford loans away from the middle-income population, has resulted in a decline in the percentage of students who "qualify" for aid on our campuses. This percentage typically has shifted from between 60 and 70 percent, to approximately 40 percent of our student population at each campus. I assure you that this decline is not due to our students' getting richer. "Need" simply has been redefined.

To address this Federal redefinition of need, the State of Connecticut has allowed for a small percentage of State student aid funds to be determined by local rather than Federal definitions of need. Currently, however, only three percent of State financial aid dollars may be awarded this way, and then, only for work-study purposes.

The important public policy to consider here is whether the State should supplant Federal aid with its own aid. We think not, because there is so little available in either case. The state, in our opinion, should supplement not supplant Federal efforts.

Furthermore, while the Connecticut General Assembly is considering allowing a nominal percentage of Tuition Fund dollars to be set-aside for work-study opportunities for those needy students who do not qualify for Federal aid—a concept we support—we are concerned, nevertheless, that too much of the burden of financial aid may be placed increasingly on the backs of tuition-paying students. Therefore, we consider this remedy to be appropriately limited to a token effort, and certainly no substitute for Federal relief.

What we ask for is greater Federal participation in providing student financial aid.

Shift from Full-Time to Part-Time Study

Over the years, CSU has experienced a significant shift toward part-time study. Nearly half of our students study on a less-than-full-time basis.

Between 1981 and 1990, full-time enrollments increased by 5.1 percent while part-time enrollments grew by 36.5 percent—seven times the rate of growth for full-timers! No doubt this is due to the increase in non-traditional adult students, especially returning women. But at least some of it may be due to the increasing tuition burdens on our traditional students and the declining availability of student financial aid. It becomes increasingly more attractive to work full-time and study part-time when rising costs are an issue.

The least that can be done to address this new student body is to consider further extending financial aid eligibility to part-time students. This would enhance accessibility to our system which is comprised currently of 47 percent part-timers.

Interest on Student Loans

We suggest that you consider making student loans tax-deductible. All student loans should be considered for this strategy: Stafford loans, Perkins Loans, Supplemental Loans for Students (SLS), and Parents Loan for Undergraduate Students (PLUS). It is our position that borrowing for one's education is as good for the country as is home ownership. Accordingly, we strongly recommend that interest on such loans be exempt from taxation.

Pell Grant Changes

Finally, the Connecticut State University is concerned about the administration's proposals to diminish Pell grant eligibility for families earning annual incomes between $20,000 and $25,000. We have seen figures that project reductions by some 40 percent for this population ($628 on average for students attending a typical 4-year State college). This reduction cancels the increased benefits for students from families earning $15,000 or less attending independent colleges. We are concerned when estimates show that some 750,000 students across the country would lose Pell grant eligibility should this proposal be adopted.

The CSU position is that substantially more than less grant-type aid is necessary to assure accessibility. Increased reliance on indebtedness must be curtailed. Grants should increase in proportion to loans rather than the reverse as a major means of underwriting a college education.

In conclusion, Senator Dodd, I think you on behalf of Connecticut State University and the students we serve for allowing us to express our concerns regarding Title IV of the Higher Education Act. Not too long ago you heard from one of our student

leaders at a Washington hearing: Tim O'Brien, a senior from Colchester studying at Central Connecticut State University. Tim reported that graduate school seemed an impossibility for him give the level of debt he has incurred pursuing his undergraduate studies at Central. I truly hope that Tim's indebtedness does not prevent him from developing the skills that he so ably demonstrated to you at that hearing.

With your continued support, we feel more assured that Tim and the countless others like him consider a college education a reality that ultimately will benefit us all.

Thank you.

Senator DODD. Thank you for your very thoughtful addition to the testimony. That hearing was on March 18. It was the largest hearing I think I have ever been a party to. There were, I would guess, somewhere in the neighborhood of five or six hundred people in the audience from the United States Student Association. These were all students that had come from across the country to testify on the behalf of the Higher Education Act. They asked a panel of about six students—I guess there were 12; there were two panels—to testify, and one of those testifying was Tim O'Brien from Connecticut who did an excellent, excellent job and a real tribute to his family but also the Connecticut educational opportunities. He was just very eloquent, did a very fine job.

Let me ask you—and you have answered some of these questions already in your statements, when you talked about the programs. To try and convince my colleagues—I find people are sort of impressed by how a program or policy hits people or who is actually hit rather than the program being hit—could you play the part of staff and make a case for changes when I ask you questions. I find if I speak to an audience that is not involved in these issues, you can get a collective yawn very quickly if you start talking about a lot of programs that people just don't understand, unless they have children that are in the middle of it.

So I would like to get some sense of actually how the programs are impacting students and families directly and some sense of the numbers. This will be done sort of informally. I will ask you all these questions, and any one of you who has some information and data to share with us should do so.

You have all seen, I presume, the President's proposals or are at least somewhat familiar with them. He proposes in his budget to lower the Federal appropriations and increase the matching requirements for States and institutions for the college work-study program—that has been mentioned by a number of you here—and the Supplemental Educational Opportunity Grants, the SEOG programs which you know. The administration is also proposing zero funding for the State Student Incentive Grant program and the Perkins loan program.

Now, that sends shivers up and down the spines of administrators and faculty and so forth, the people directly involved. What I would like to know is what does this mean. How is that going to affect you? What is going to happen to student populations in a sense at these institutions? What does it mean in terms of applicants? What are you going to be looking at as the profile of people coming forward, if, in fact, these proposals as suggested were to be adopted by the Congress as part of the budget, if you will, for 1992?

I don't mean exact numbers and percentages, but can you give us some idea and flavor of what the impact of that would be on the

Connecticut population, the population either in school or the population in the coming two or 3 years that would be seeking to enroll, either at the University of Hartford or the University of Connecticut or other of our independent colleges in this State?

Mr. BEAL. Senator, I don't have an immediate number, but it does call to mind the situation that is developing here in Connecticut. In Connecticut State University, for example, this year we have for next fall raised our tuition 30 percent in our public university. We very much fear that the high school student examining that increase in tuition and other costs and then looking at the possible diminution of Federal aid may not even believe at that point that a university education is in his or her future.

We may never be able to see or talk with that student. This is the thing that concerns us the most. Yes, we will go out and go to high schools and try to meet these students, but we are very much concerned that students in high school, the minority students in particular whom we are trying to address, may determine for themselves that this is just not in their future. In that sense, we all are the loser.

Senator DODD. Yes, Dr. Hartley.

Mr. HARTLEY. I am looking at some actual figures, Senator. You mentioned on Perkins. I am looking at the actual figures for this past year. That affected about 1,300 students for about $1.6 million. Our Stafford loan program, student loan, was about 2,700 students, nearly $9 million in expenditures. I could provide this by fund source.

If I just look at the Federal side of our financial aid package for last year, our total financial aid package at UConn was about $51 million last year total. The Federal share of that was about $16.5 million. It impacted about 7,500 students. Now, I am distributing them over seven programs: College work-study, parents loan, Pell grant, Perkins, Stafford, SEOG, and supplemental student loan. But of the several you mentioned, Perkins, about 1,300 students; Stafford student loan, 2,700 students. So it had quite a bit of impact.

Senator DODD. Yes. Let me pick up on a question. Dr. Beal was talking about it. Minority access is an extremely important issue to me. The absolute number of minority students in higher education grew by 23 percent between 1980 and 1988 nationwide. But what bothers me is how it is proportioned out. Having said minority access, Asian American enrollment rose by 75 percent in this country; Hispanic enrollment rose by 44 percent; and Afro-American or black enrollment grew by a modest 2 percent. Those numbers are just so disproportionate there.

Are we watching here—and I have heard this from some, and I would like you to tell me whether or not you are seeing it in terms of admissions requests and so forth, that people are just not applying because—I think someone talked about the bridge of education to an economic prosperity, and education is becoming sort of the Berlin Wall to economic prosperity, an obstacle to overcome. Are we just seeing a dramatic decline in applicants because the prospects of completing an educational opportunity with a mountain of debt just offsets any ideas of economic prosperity being achieved down that road? Norma.

Ms. GLASGOW. Senator, Connecticut is still one of the few States in the Nation, we are pleased to report, that has an increasing number of minority enrollments. Though it is not increasing as rapidly as it ought and it still is not reaching the proportion of those in the population as a whole, we have increased by some 40 percent in terms of the numbers of people on——

Senator DODD. In that same period of time?

Ms. GLASGOW. About 16 percent in students and 45 percent in faculty. So we are increasing, and we are pleased with that. But what we fear we are going to see if these go through is that the poorest student who will see the loans that have to be taken out, that they are having to take loans out that is more than their parents have ever made in a whole year, and they just fear that kind of indebtedness.

I would like to see more focus on—if a Pell grant is going to be a focus to those that are in the grants, then perhaps make it a larger grant for the very neediest, and then put some focus on the Stafford loans for the middle-income student. The middle-income student and lower-middle-income student is really getting squeezed. As I say, they are either not poor enough or they are not rich enough, and yet they have extremely difficult cash flow problems that are not going to be made up by this.

Senator DODD. Kevin.

Mr. SULLIVAN. There is a second way in which that shows up. One is even getting to the door; the other is a sort of two-tired tracking which happens in this State. We are fortunate in having a very good system on the public side of 2-year community colleges.

Senator DODD. Right.

Mr. SULLIVAN. However, because of relatively lower cost on one side, on the other side relative lack of financial aid or, as the commissioner suggests, aid which appears to be accessible, we are at risk of, in terms of that minority enrollment, setting up two Connecticuts in our higher education system—one which only perceives the 2-year community colleges as access and everybody else. And that is neither good education for the population, nor is it good for our public or our independent 4-year institutions which need not only that enrollment but offer opportunities that those students should have access to.

Senator DODD. That is an excellent point.

Let me ask you, Mr. Tonkin, about a proposal that some are suggesting. In fact, the education associations, Congress, and the administration are all looking at or investigating the more direct student aid proposal, to bypass the banks, in effect, and deal directly with the institutions as a way of managing the loan programs. I would tell you it has a certain amount of appeal to me just because I assume there is a certain amount of dollar loss that occurs as you move that same dollar through yet another institution somewhere. But I understand as well the administrative costs for institutions to manage these programs could offset what savings is discussed. So while there is an appeal on one level, I would like to know—in fact, I would like to hear from all of you on this one, because it is one that I am going to be confronted with answering and I would be interested in your observations about it.

Mr. TONKIN. I think in the first instance, reducing the number of middle people in the process is clearly a positive thing to do. The assumption that simply by eliminating the banks one can eliminate all of the cost associated with the banks is obviously incorrect. But it does seem to me that this approach offers the possibility of effecting some savings, as long as we don't just simply respond by saying, okay, just let the colleges and universities pick up the additional cost and they will deal with that somehow, because that simply won't work, at least for some institutions.

Mr. BEAL. I have here behind me, Senator, a real live, breathing, excellent financial aid officer from Eastern Connecticut State University who deals with these every day.

Senator DODD. Fine. Sit right up here and tell us what you do.

Mr. BEAL. He is Richard Savage. I would like him to comment on that.

Senator DODD. We are going to get a seat here for him. We were waiting for him, actually.

Mr. SAVAGE. We have to keep in mind the expense factor and the effect for the institutions. Not only are we one big family in Connecticut, but hopefully some folks in Washington will see us as one big family inclusive of Washington. So passing expenses on from Washington to the States or to the campuses, or whatever, also is counterproductive in some manner or other?

Senator DODD. Are you for it or against it? What do you think?

Mr. SAVAGE. I don't think we know enough of the detail to what the cost would be for the campuses to administer this type of thing. We are faced with staff cuts.

Senator DODD. What sort of questions should I ask? I am going to have Lamar Alexander testify before me on this. What would you advise me to ask him about this to determine whether or not it makes any sense or not?

Mr. SAVAGE. Somebody has got to produce a more detailed description of what the intentions are before people at the campus level really can have an intelligent opinion to offer, it seems to me, unless they have you know, a lot greater insights than I do.

I would also like to make one other comment since the mike is on, and that is that despite the buildup, none of us know more than 88 to 90 percent of what we ought to know about financial aid because the system is so complex. But I would like to see us make a real effort at the Federal level to reach out informationally to certain target groups of young people at least. And when I say young people, I am not talking about high school seniors because often it is far too late at that point to reach the kids, but to perhaps be able to use one percent of our campus-based allocation up to some ceiling, $10,000, $20,000 or some such thing, for outreach to kids who are in the 11th grade down through the middle schools.

Senator DODD. Good point.

Mr. SAVAGE. So that we could convince them that a lot of them can afford to go to college under the present system.

Senator DODD. Absolutely.

Mr. SAVAGE. The military has gone to great expense to convince kids that they can afford college without military service of some sort. I am sure you have seen the ads. I don't know how much money goes into them, but I am sure it is a massive amount. And I

would like to see us make that kind of an effort. A lot of institutions are trying to do it. The States are trying to do it. Connecticut is trying to do it. But we could use any help we could get.

Senator DODD. Yes. I would tell you that the United States Student Association commented on that point and the simplification of the forms. I don't know the exact numbers, but we are doing a dreadful job of educating families and high school student counselors. You are getting less than one counselor per six, seven, eight hundred students when it comes to higher education. And what counselors do—and I am sure there are some of you who will totally disagree with what I am about to say, but I happen to believe it is true. You kind of identify the stars in a class coming along, and so the focus is on the academic stars, and we forget that there is a terrific population there. Some of us didn't bloom at age 17. Some would argue I haven't bloomed yet either, but I would just suggest that a lot of students at that age don't necessarily show their potential. And we are not really making an effort to identify and let them know that there are opportunities out there for them and means by which they can at least defer or account for a significant part of their educational costs. I think more needs to be done in that regard. I just commend you for raising that point.

By the way, the answer is we spend—is that right? I am stunned by that. We spend $200 million on the military ads on television to recruit people in our armed services. That is almost a quarter of a billion dollars. I would suggest that we don't spend but a small percentage of that when it comes to some of these other programs.

Ms. GLASGOW. Perhaps some of that matching SSIG money could go into that. The State of Connecticut has funded some of these outreach programs out of State dollars because they work, and we could do more of that.

Senator DODD. Yes.

Ms. GLASGOW. I am not a banker, but I have to speak to this. If there can be a way for the funds to administer, I think that is something that is worth looking into. It is the next step that I would like also to address, and that is the insurance, the guaranteed loan programs.

Right now the banks—and we are grateful that they are willing to lend, but this is paper that they sell right away. Many of them sell it right away. And then the question is on the reinsurance; there is the issue of what is going to be the target number. There can be only X percent of defaults at 100 percent reinsurance, and then it drops to 90 percent, and then it drops to 80 percent.

Senator, I tell you, there is something wrong when the reinsurance agencies are selling their paper to each other across lines so that they will always stay beneath those targets. When I walked into one and there was paper that clearly had done everything that could be done to collect, and they were bad loans. But in order for it not to appear on their books, they were selling the bad loans to those who could absorb them without it triggering their trigger figure, which to me is a subversion of the reason why there are penalties anyway. And in this State, I said it is unethical. We refused to accept the paper. So they went to another State and sold it to them.

Senator DODD. Yes, that is a very good point. I didn't know that about that.

Kevin, I want to ask you something as well, and I want to come back to Norma on this. There is an effort to support programs that are modeled after the Eugene Lang privately funded "I Have A Dream" program. Rhode Island has done it, and I would like to know whether or not we are and what the thoughts are here in Connecticut. I don't know if you are in a position to comment on that.

Mr. SULLIVAN. That is a good question because we have some disagreement on that. Just one quick answer, when you speak with Secretary Alexander, I would hope that he would present to you some good cost efficiency analysis. If one were to charge off by having the campuses, for example, on the public side in Connecticut undertake all administration of those programs, I suspect when you add the some 40 percent overhead that goes with each such public position, you may well have used up the kind of money that the banks are retaining for their service fees. So it may not net out to be quite the advantage at least in that context, it seems to me.

The commissioner did, indeed, for 2 years running, propose a kind of "I Have A Dream" program, although we are fortunate in Connecticut in the sense that we have several privately operating already that have focused on various schools and various school systems in Connecticut. We have been very reluctant as a legislative body, precisely because of the already existing complexity and administrative cost, to multiply the number of financial aid programs that we have in place. Given a choice between putting the money into CICS for independent or CAPS for public or SEAG for either, our choice has been to focus our limited reserves and resources where the programs are, where they are operating now, rather than create a new bureaucracy to run the new program.

Senator DODD. Norma, do you want to respond to that?

Ms. GLASGOW. He lives here all the time. You just visit us from time to time. We had proposed that there be that help, for the assurance of the 7th graders and those that they would be able to go to college if they would hang in there, stay off drugs, succeed in college. And we were further asking for a set-aside of a certain amount of funds each year so that it would not be a drain on the State budget, to set aside enough based upon those who are school lunch recipients in 7th grade, made an estimate. This does mean that the State would have to set aside about $1 million and invest it each year and then provide those funds.

There is demonstrated success of the programs. If we can get private funds for them, so much the better. But clearly something needs to be done. Humphrey Tonkin has taken a step at the University of Hartford, as he has already mentioned, that they offer half-tuition to all of the graduates of Hartford high schools. But clearly we have a problem which must be addressed.

Senator DODD. Let me ask two other questions, if I can. There are a lot more that I may want to submit to you, but I don't want to keep you here all morning.

We talked about the proposal to raise the Pell grant ceiling. You commented on this, Norma, and I think others did as well, to increase the maximum grant award of $3,700 for the neediest of stu-

dents with family incomes of less than $10,000. The President also recommends raising the total funding by $400 million, but it is estimated, as someone pointed out here already, that even with the funding increase, 400,000 fewer students from families with incomes over $15,000 would receive Pell grants under the new structure.

I asked a moment ago to give me some indication of what would happen with the SSIG program and a number of other things, either to get zero funding or the phasing down. Can you give me some sense of what this latter proposal will do to your population, your student population? If you can't, I can ask you maybe to get back to me on it.

Mr. BEAL. I would like to get back to you on that. I am not sure.

Senator DODD. I would be very interested in what the impact would be in Connecticut on that kind of thing. I am looking at it. I can see some national statistics here which I have, which were prepared—I don't know if you have it in front of you, if I gave that to you all or not. But you are looking at some pretty significant drops, significant losses.

Ms. GLASGOW. I would like to get back to you on it, but I have some significant concerns about it. But I do need to get some numbers for you. I fear that it is still a further exacerbation of the neediest and these up here and the lower-and middle-income still falling between the cracks.

Our SSIG money, for example, one of the most successful programs that the Federal Government entered into in State partnership are the matching dollars for State and Federal Government. Ours has an academic screen on those that get that. They have to be in the top 10 or 15 percent of their graduating class. It does go to the lower- and middle-income students. These are the people in Connecticut that have such restricted sources of funding. Even on the Pells, there also has to be coupled with the reliability and the performance of the institutions that are serving those people. I have grave concern that good money is being paid and they are going to some institutions, some of which are very reliable, the others of which are collecting dollars. They are not retaining them, they are not being able to succeed, and they are not getting education. But they are spending Pell dollars.

Senator DODD. Let me be the devil's advocate here because let me tell you what kind of question you will get, and certainly others will be getting, as we look at some of these programs. I mentioned in my opening remarks that at least in some instances we have watched tuition costs rise by as much as almost 60 percent in 10 years. Now, there are going to be those who are going to sit here and say, you know, there is nothing like that, or at least almost nothing like that kind of an increase in cost anywhere else in the marketplace out there. Energy prices have been relatively stable in the 1980's. We realize older facilities and institutions costs and so forth are there. But I suspect some of my colleagues are going to sit and say, come on, now, 60 percent, as much as a 60 percent increase in tuition cost, even though you have a built-in tax, you have talked about, Mr. Tonkin, and other questions here, that is just nuts. Now, why is that number so high?

Mr. TONKIN. Where do we start? One of the major factors which I have already mentioned is, indeed, the reduction in Federal dollars, which institutions like ours have had to pick up.

A second major reason for this is, in fact, historical; namely, that in the 1960's in the period of huge expansion of universities, we in effect created a set of physical plant, all of which is falling apart at the same time, so that you have huge deferred maintenance problems that have appeared as a result of this.

A third major problem that our institution has, and I suspect many others have, is that in real dollars the earning power of our faculty members has declined over the past 10 years. This is fairly usual in higher education. In other words, we have not managed to keep pace with inflation in that category.

Yet another factor in all of this is that education has simply become more complex. It has become more complex because society itself has become more complex. We tend to offer, as a result of this, a wider range of programs. We tend to cater to a much, much wider range of students who require all kinds of special services of one sort or another. So that if you look at the kind of education that generally the Nation was offering say 20 years ago compared with the kind of education that is being offered now, you have now a system which, I would argue, is far more effective in the delivery of services to a much wider part of the population. That is something that people tend not to take into consideration when they look purely and simply at costs.

I would also add that if you look generally at the service part of the economy, you will find that costs generally in the service area have risen considerably faster than they have in other parts of the economy. That is so not just for higher education but for all kinds of other things as well. This is a topic on which, by the way, I can keep going for hours, but I will stop right there.

Senator DODD. Dr. Hartley.

Mr. HARTLEY. In our case, a public university, students are paying about 30 percent of what their cost of instruction is. It is one of the policy issues that we have been looking at. I would say one of the reasons why tuition has gone up is to offset financial aid. This year in our total tuition fund 22 percent of the total funds that come in are earmarked back for financial aid for other students.

Second, if I look at the total financial aid award for UConn—I will take last year, actual dollars of $51 million, of that, $28 million was from university sources of various kinds, including tuition. So I would say a major chunk of tuition costs, including the increments, has been to redistribute, if you will, back to the needier students, subsidizing students, if you will, through the tuition fund.

Mr. BEAL. This is also true in Connecticut State University. As you know, what Harry is talking about, 15 cents of every tuition dollar that our students pay goes into assisting those who are economically disadvantaged. So we have the situation here in Connecticut where the students, many of them barely able to meet their costs of education, are also helping to subsidize those who are economically disadvantaged.

I can tell you why my tuition is going up 30 percent.

Senator DODD. Give me some idea first of all. You said 45 percent at the University of Hartford in the last 5 years?

Mr. TONKIN. I guess it must be more than five, but I can't remember what the figure was.

Senator DODD. I thought you said 1986 or 1985 forward. What is the University of Connecticut?

Mr. HARTLEY. Five-year tuition increase? I would have to get back to you on that.

Senator DODD. What about our independent colleges, on the average? What are we talking about the last decade, roughly, or 5 years? What has been the percentage increase?

Mr. BEAL. Increase in tuition?

Senator DODD. Yes.

Mr. BEAL. It has been running, for Connecticut State University, on an average of about 11 to 12 percent.

Senator DODD. A year?

Mr. BEAL. A year, yes.

Senator DODD. So we are talking in the same range, 40, 50 percent.

Mr. BEAL. Yes.

Senator DODD. Actually, then, you are talking almost about—are you talking about a 100 percent increase in the last 10 years?

Mr. BEAL. I am talking about a 60 percent increase perhaps the next 2 years.

Mr. HARTLEY. UConn was 15, 15, and 10.4 if I just go back 3 years.

Mr. BEAL. See, we have moved more and more of the cost of education over into the tuition fund and other funds. Right now Connecticut State University students are paying approximately 44 percent of the cost of education.

Senator DODD. Now, to make your case, I presume you would want to show me data from the 1970's when you had grants and loans at 70-30 so you would not have to do this.

Mr. BEAL. And there was no tuition.

Senator DODD. And so you were not dealing with these kinds of problems.

Mr. BEAL. No.

Senator DODD. You would have to go back and look at some of the private institutions to determine what those costs would be.

Mr. TONKIN. Actually, of course, it is worth pointing out that it is very difficult to——

Senator DODD. You have energy costs increased.

Mr. TONKIN. That is true. It is very difficult to compare apples and apples over a number of years.

Senator DODD. I understand that.

Mr. TONKIN. For a whole series of reasons.

Senator DODD. Yes. Well, this has been very—yes, Norma? I am sorry.

Ms. GLASGOW. Two of the people who are going around the country speaking to this issue and raising the ire of some and the praise of others are Zimsky and Parr, saying why are the costs of higher education rising so rapidly.

Senator DODD. Yes.

Ms. GLASGOW. One of their conclusions is the differentiation of responsibilities, that there is a rise in numbers of responsibilities assigned to new people. In other words, more people are being hired to do the task. And I think there is an element of truth in that, particularly at the private prestigious institutions, that faculty who used to both teach and counsel and advise, teach and they hire counselors and they hire advisers, and the differentiation of curricula so that it becomes more complex and they add more courses. But it also has to do with what President Tonkin has said, that there really is a variation in services because it is not just the full-time graduate from high school who came right in, but the counselors and the help for the part-timers, for those with children, for all the extra services that we also think is a good investment. But it is clear that colleges and universities are having to re-examine themselves and reallocate because there really is going to have to be a streamlined delivery system, or else we are going to have to start turning away people.

Senator DODD. Yes. Kevin.

Mr. SULLIVAN. In response to that question you are going to get, I think there are good reasons that can be provided to you. On the other hand, I would not wholly turn that question around on someone. I think the commissioner's point is well taken. We do have an obligation—I will take a little distance from my colleagues on the panel. We do have an obligation at the Federal and the State level as policymakers to ask some questions about embedded cost, to ask some questions about overhead costs.

Senator DODD. Absolutely.

Mr. SULLIVAN. I think it is unfair to ask people to pony up without questioning disproportionately high-cost institutions, disproportionately high-cost students, and not at least look at that. It is tough at the Federal level from your perspective; it is tough enough at the State level from our perspective. But whether it is through assessment systems to say what are you getting for the money or really what are the costs that go into that bottom line, it is only fair, if we have limited dollars, to spread them in the best way possible and not treat everybody alike.

Senator DODD. I can just tell you flat out that will be the case. There is no way you are going to find this sort of a turning on of a faucet—first, it is impossible to try to realign some of these things a bit so you can bring some rationality to them. But you are going to find some very, very tough questioning about those very issues. There will not be, regrettably, that kind of assistance forthcoming without some real solid answers to those questions of what is being done internally to minimize these growing costs. In the absence of that, it will be almost impossible to get some of these changes made. I will just tell you that candidly. I think there is a real desire to do some things here, but people just do not understand and accept just ever escalating and dramatic increases—dramatic increases in cost—without some real demonstration to hold those down.

I am telling you what you know already. You have heard it from others. I just thought it would be pointless to have a hearing here this morning and suggest those are not issues that are absolutely going to be addressed.

Yes?

Mr. HARTLEY. Senator, I was looking back. You were looking at 20-year comparative figures. One of the assumptions in the criticism of rising tuition is that we have bloated administrative staff, added positions we don't need. In the case of UConn, a 20-year history, we have increased the number of students we serve 20 percent, and we have reduced the number of people who provide those services 15 percent. The actual figures. So we are doing more with less, and it is not because of bloated administrative staff or even bloated instructional staff. So we have gone from 19,000 to 25,000 students, and in positions from about 3,050 to—I keep looking at the current to see how low it can go, but 2,500 or so, and still going down.

Senator DODD. This has been very, very helpful to me. I kept you longer than I had planned to. I apologize. I have got one more panel of eight witnesses, so I will try and move along with them, and I apologize to them as well as I bring them up. But this has been very, very helpful to me, and will be helpful, I think, to the committee in looking at these proposals and others as we face what we will be grappling with over the next several months here as we continue with our hearings in Washington on reauthorization of the Higher Education Act. Your continued involvement is something I would appreciate. So any additional information you think would be helpful to us in drawing these conclusions and finalizing the legislation will be tremendously helpful.

We thank you very much.

Ms. GLASGOW. Thank you for your involvement in the reauthorization reform.

Senator DODD. Thank you very much, Norma. I appreciate that. Gentlemen, thanks for being here this morning.

To our second panel of witnesses, I will introduce you and ask you to join us at the table. We are going to have to get tight here at the table because there is a couple more here than our last panel.

Wilhelmina Campbell is a nontraditional student at the University of Hartford, and we welcome you here this morning.

Ralph Mariani is a graduate of the Hartford Technical Institute.

Monique Briscoe is a student at the University of Connecticut.

Richard Harrison is a parent of a University of Hartford student.

Kimberly Webb is a student at Eastern Connecticut State University.

Stephen Curley is a student at Trinity College.

Sukiby Nicolas is a student at the Computer Processing Institute.

And Veronica Allen is a student at the University of Connecticut.

That is quite a panel here. Did we get everybody at the table? Did I pronounce your first name correctly? How many people do that right? Not many. Pretty smart guy you got here, don't you?

Well, you are very gracious to be here this morning, and I apologize that this has taken a bit longer. But I hope you found the first panel to be interesting, their observations and comments. It may have helped.

Let me tell you what I told the first panel. I would really ask you to keep your comments as brief as possible here because otherwise

you are looking at an hour in testimony from all of you and then we won't get to questions. So I promise you that every written word and every piece of supporting documentation you have to make to this subcommittee will be included in full in the record as if given in full. So nothing will be deleted. But if you might try to summarize your comments, unless they are briefly prepared anyway, it would be helpful.

We will begin with you, Wilhelmina. We thank you again for being here today.

STATEMENTS OF WILHELMINA CAMPBELL, STUDENT, UNIVERSITY OF HARTFORD; RALPH MARIANI, GRADUATE, HARTFORD TECHNICAL INSTITUTE; MONIQUE BRISCOE, STUDENT, UNIVERSITY OF CONNECTICUT; RICHARD HARRISON, PARENT OF A UNIVERSITY OF HARTFORD STUDENT; WILLIAM ADAMS, GRADUATE OF HARTFORD TECHNICAL INSTITUTE; STEPHEN CURLEY, STUDENT, TRINITY COLLEGE; SUKIBY NICOLAS, STUDENT, COMPUTER PROCESSING INSTITUTE; AND VERONICA ALLEN, STUDENT, UNIVERSITY OF CONNECTICUT.

Mr. CAMPBELL. Good afternoon, Senator Dodd. My name is Wilhelmina Campbell, and I come before you today not only as a nontraditional college student, but also as a concerned parent of two children, one of which will be in college in 3 years.

I had been a part-time evening student at the University of Hartford for 10 years. While going to school at night, I worked in a full-time position, advancing in a career and taking care of a family and home. There were times that the courses were paid for by a company tuition reimbursement plan, but also paid for by me. As I advanced over the years in a career, it became increasingly evidence that a 4-year degree was necessary for further development. Therefore, in 1990, I made the decision to leave a full-time position and complete my senior year of college as a full-time day commuter student.

Falling into the middle-income category, with two children in school, the loss of a professional full-time income, expense and family responsibilities, I believed that I would be eligible for financial aid. After submitting the appropriate tax and financial information, I was informed that I was ineligible for all financial aid. The present formula calculates my former income and my homeowner information. The University of Hartford re-evaluated my situation and used professional judgment that a home equity loan was not a viable solution in my case because I could not afford the additional expenses. My income could not support a home equity loan. I was therefore forced to obtain a full-time night position while going to school days just so that I could keep my family afloat. I was required to take out two student loans. But even after all of this, I still needed money to pay the balance of 1 year of college.

If it had not been for the University of Hartford scholarship and institutional funds awarded to me, it would not have been possible for me to fulfill a life-long dream, and that was to graduate from college. I will be the first one in my entire family, Senator Dodd, to graduate from college, and I am 40 years old. When my mother sits

in the commencement ceremonies in May, she won't be saying, "I dreamed of this day coming," because she didn't dare to dream of a college education for her children. What she dreamed for was that her six children would survive the degradation of the ghetto and poverty and lead a better life than she. I think that is a dream that every parent has for their children. But today's parents must add a college education to that dream list because without it our kids would not have the opportunity to do better because the demands of the employment arena and the global competition is much greater than it was 40 years ago.

The year 2000 is fast approaching, and as more women and non-traditional students enter the workforce, there will be more women like me. But I am afraid that the financial assistance may not be there for them. I am afraid that the home equity may not be a viable alternative and that the institutional funds that were there for me may not be there for them.

Let me share with you what is ahead of me now. I must find a job in the tough economy, repay over $8,000 in student loans, and educate my two children. My daughter, a freshman in high school, will be in college in 3 years, and the present formula does not take into consideration my outstanding student loan debt when calculating my responsibility for her education. Yes, maybe home equity will be a viable alternative for use in her college education, but what happens 4 years later when it is time for my son to enter college? Will there be any money left? How many times will we be allowed to go to the well before it runs dry?

Home equity and student loans cannot be the only way for families to send their children to college. With the rising cost of living, the instability of employment, and the increasing number of women in the workplace, more Federal financial aid dollars are needed and the realization that a new class of poor has arrived. This class of poor are those families that do own a home, who are raising two-plus children, who don't take elaborate vacations or have summer cottages, who juggle jobs, classes, doctor visits, day care center and little league practice, who are out there working night and day just to make ends meet. And they dare to dream of a better life and a college education for their children.

Senator Dodd, on behalf of this class, and the Connecticut family parent, I ask that you assist us at the Federal level in making more financial dollars available for people like us.

Thank you.

[The prepared statement of Ms. Campbell follows:]

PREPARED STATEMENT OF MS. CAMPBELL

Good Afternoon, Senator Dodd: My name is Wilhelmina Campbell, and I come before you today not only as a non-traditional college student, but also as a parent of two children.

I had been a part-time evening student at the University of Hartford for ten years. While going to school at night, I worked in a full-time day position, advancing in a career while taking care of a family and home. There were times that the courses were paid for by a company tuition reimbursement plan but at times, the courses were paid for by me. As I advanced over the years in my career, it became increasingly evident that a four year degree was necessary for further development. Therefore, in 1990 I made the decision to leave my full-time position and complete my senior year of college as a full-time day commuter student. With two children in

school, loss of professional full-time income, expenses and family responsibilities, I believed that I would be eligible for financial aid. After submitting the appropriate tax and financial information, I was informed that I was ineligible for all Federal financial aid. The present formula calculates my former income and homeowner information. I was, therefore, forced to obtain a full-time night position while going to school days just so that our family could stay afloat. I was also required to take out two student loans. But even after all of this, I still needed money to pay the outstanding balance of one year of college. The University of Hartford re-evaluated my situation and used professional judgment that a Home Equity Loan was not a viable solution in my case because I could not afford the additional expenses. My income could not support a home equity loan.

If it had not been for the scholarship and institutional funds awarded me by the University, it would not have been possible for me to fulfill a life long dream ... and that is to graduate from college. I'll be the first one in my entire family, Senator Dodd, to graduate from college, and I am 40 years old. My mother as she sits in the commencement ceremonies in May won't be saying "I dreamed of this day coming" because she didn't dare to dream of a college education for her children. What she dreamed for was that her six children would survive the degradation of the ghetto and poverty, and lead a better life than she. I think that's a dream that every parent have for their children. But today's parents must add a college education to that dream list because without it, our kids would not have an opportunity to do better because the demands in the employment arena are so much greater than they were 40 years ago.

The year 2000 is fast approaching and as more and more women enter the workforce, there will be more women like me. But I'm so afraid that the financial assistance will not be there for them. I'm afraid that Home Equity loans may not be a viable alternative and, I'm afraid that the institutional funds may not be there as it was for me. I am afraid these dreams may indefinitely be deferred.

Let me share with you what's ahead for me now? I must find a job in this tough economy; repay over $8,000 in student loans; and educate my two children. My daughter, by the way, will be in college in three years and the present formula will not take into consideration my outstanding student loan debt when calculating my responsibility for my daughter's education. Yes. Maybe home equity loans will be an alternative for her but what happens four years later when it's time for my son to enter college? Will there be any money left? How many times will we be able to go to the well before it runs dry? And then, do we just jump heavily into loan debts?

Home Equity and student loans cannot be the only way for families to send their children to college. With the rising cost of living; the instability of employment and the increasing number of women in the workplace, more Federal financial aid dollars are needed and the realization that a new class of "poor" has arrived. This class are those families who own a home; who are raising 2+ children; who don't take elaborate vacations or have summer cottages; who juggle jobs, classes, doctor visits, day care and little league practice; who are out there working night and day just to make ends meet; and they dare to dream of a better life and college education for their children.

Senator Dodd, on behalf of this class, and as a parent, I ask that you consider making more financial aid dollars available for people like us.

Thank you.

Senator DODD. Thank you very much, Wilhèlmina. Congratulations, by the way.

Mr. CAMPBELL. Thank you.

Senator DODD. A lot of hard work. I have a feeling you are going to do fine. Even if they stripped away everything, I think you would do fine.

Ralph, we thank you for being here with us this morning.

Mr. MARIANI. Good afternoon. My name is Ralph Mariani, Jr., and I am a graduate of Hartford Technical Institute in Hartford, CT. My wife and I have been residents of East Hartford for the past 2 years. I graduated from East New York Vocational and Technical High School in Brooklyn, NY, in 1983. After graduation, I enlisted in the U.S. Army. I was obligated to 6 years in the Army, 3 years on active duty and 3 years in the active reserves. The U.S. Army was to train me to be a signal radio teletype operator.

After 3 years, I was honorably discharged from active duty and began to pursue my career. I pursued many companies hoping to find a job in a related field. Unfortunately, I did not have much success. The communications training I received in the service was not transferable to the private civilian workforce. I found that in order to survive I had to take dead-end jobs just to pay the bills. I was everything from a vacuum cleaner salesman, to a retail salesman, to a security guard. Depending on the job, the maximum I ever made was $5 an hour.

After getting married, I decided that I had to find a secure career in the field that I enjoy and that I could make a living doing. I enrolled at Hartford Technical Institute in December of 1988 in the CNC machinist program. I would never have been able to afford to go to Hartford Tech if it was not for financial aid. I was barely getting my bills paid, let alone trying to save for the future. Hartford Tech found me a job while I was enrolled as a student. I started at Pratt & Whitney Manufacturing Company in West Hartford as a mechanical machinist assembler, making $8 an hour. In 1990, I earned over $27,000, and less than 18 months from my start date. Unfortunately, due to the economic misfortunes, Pratt & Whitney has closed down, and I was laid off.

I returned to Hartford Tech placement offices. They assisted me in finding a position at Electric Bolt in Groton, CT. I now own my own home, have skills in the field I very much enjoy, and the career that I always wanted. If it wasn't for financial aid and assistance from Hartford Tech that I received, I would not be where I am today.

I hope that when Congress reviews the Higher Education Act they will keep in mind the importance of financial aid to all students. People should be able to get an education to better themselves and to be productive members of society. I urge you to keep financial aid available for students who want it and need it to get ahead.

Thank you very much.

Senator DODD. Thank you very much, Ralph, and congratulations to you, too, for all the hard work.

Monique.

Ms. BRISCOE. Hello, I am Monique Briscoe, and I attend the Storrs branch of UConn. Early in the semester I had faced a problem with my money for my tuition. My bill was almost $4,000, including financial aid. I was unable to come up with the money. My mother had received a bill prior to the second semester and prompted me to write letters to organizations that give out grants. I did so and had gotten one reply back that said they might be able to help me. The organization was the Hartford Foundation of Giving, and they were willing to give me $1,200.

My mother, since she is the only one working and my father is currently unemployed, was able to contribute $1,000 which she had saved up. My mother has to take care of bills and food and other household duties for a family of five, with one of her children, me, now attending college. So at that point, I had $2,200, but still had to come up with almost $2,000 more.

To top it all off, the money that the Hartford Foundation was giving me would not help out my situation but hinder it. If I had

received the money from the foundation, the school was going to raise my bill up to over $5,000 because of some technical jargon. I was in limbo at school at this time. I ran around campus like a chicken without a head trying to find some way to stay on campus.

I ended up not having any books for my classes for over 2 weeks, which I am now suffering for now. It cost my mother over $80 in phone calls from me back and forth to rectify the dilemma I was in. I believe that in order for this country, or, better yet, the world, to function properly, you need educated people to lead. With the budget cuts now facing the school, a lot of students—myself included—may not be able to attend college next semester. Our greatest resource is education, and if people who want and seek knowledge are unable to take advantage of it because of budget cuts, it does not say much for us as a society.

Education should be number one on our budget because without it the world will be full of empty minds not being able to solve the problems that face them. It is not fair for us, the leaders of tomorrow, to be penalized for the mistakes of the adults leading us today.

Are we now to suffer because of the lack of proper budgeting of our leaders today? I believe that is very unfair and unjust if we do.

Senator DODD. Thank you, Monique, very much. I am going to be out at UConn this afternoon. I don't know if I am going to see you out there or not.

Mr. Harrison, we thank you for being here. I want you to know we have received the letters you have written every member of the delegation. We received your letter, and of course, we have made, based on your letter, some inquiries to the Department of Education. We have not yet received our answers back from them. Which is one of the reasons why you haven't heard from us yet. We are delighted you are here this afternoon.

Mr. HARRISON. Thank you very much. As advertised on here as a parent, I do have a student currently at the University of Hartford, scheduled to graduate in 1992, and I have a child that graduated from the University of Connecticut in 1990.

I guess I would like to share with you the nuts and bolts of going through that as the thrust of my comments that I turned in. I refer you to the financial aid form. You can pick any year you like, but this is 1991 and 1992. This is one of the few forms that a student needs to fill out with the help of a parent in order to go any further as far as applying for financial aid. I went through this exercise every year since 1986, knowing that I was not eligible for any Federal grants, but I have to get those magic words on a piece of paper to report to the University. It has to be part of the submittal from the student.

About the only benefit I gain from that is getting my income taxes filled out early because that is the basis of many of the questions.

One of the things that shocked me this past year—and I refer to page 8 in the booklet, which gives you a work sheet and looks for benefits and untaxed income. This really bothered me. I can see in some cases where it addressed the 401(k) savings plans, but they treated it generically and not as a specific case. I work for a firm that started this type of savings plan, and the purpose of it was as a supplement to retirement. Now, you don't have to report any

money that you pay into a retirement fund. This apparently is not—they don't consider that or don't use that in any asset assessment. But I would think that if you could get some kind of certification from your employer that this is the purpose of the plan, that should be treated similarly. But right now it isn't.

If you further inspect the list of benefits they want you to record, it is a short list, and I will read it because I think it might incense some other people. They want you to report welfare benefits, workers' compensation; veterans noneducational benefits such as a death pension and dependency and indemnity compensation; housing, food, and other living allowances paid to members of the military, clergy, and others; cash support; any other untaxed income and benefits such as black lung benefits, refugee assistance, etc. The point being that these are all benefits that were there to cover for people like unemployed, under-employed, disabled, retired, classes of occupations that traditionally have low wages, and salaries that can only survive in the regular world with allowances provided.

The U.S. Department of Education, in a letter I got from Representative Kennelly's office, they indicated that they are asking for these untaxed income and benefits because in their statement they said this may, in fact, be the major strength of a family's support. And how right they are. But these benefits were awarded for other reasons, and I don't believe they should be considered for educational purposes. You need those in order to be able to live.

I will move on to——

Senator DODD. You will want to notice winning the lottery is not on there. [Laughter.] That might say, well, you know——

Mr. HARRISON. Give them an opportunity.

Senator DODD. I probably gave them an idea. They probably heard me out there.

Mr. HARRISON. In section F, 1990 expenses, this is about the only section that asks for expenses. They want to know about medical and dental expenses not paid by insurance. But one of the new items they ought to add to this is to ask you how much you co-pay for your insurance benefits. With the high cost of medical and dental insurance, more and more companies are asking their employees to share in this cost, whereas in previous years the company covered 100 percent. This is becoming significant, especially if you are on a family plan.

Then to go on, they do ask you about any tuition that you pay for elementary, junior high, or high school tuition for dependant children other than the applicant, but it doesn't consider or ask for any other school debts that are still to be paid. As I mentioned, I have a child that graduated from the University of Connecticut. She has left the house, but her 4-year debt is still there. That has to be paid. They don't ask for the educational costs that you incur for the student that is already going to school. And there may be other expenses, like an automobile or other things, that, you know, they can't get from statistics unless they ask.

Then they have another section where they look for expected 1991 income and benefits, but they don't ask you for expected expenses. I think they should and what the nature of them are. They may be short term or they may be long-term.

There is a Section R that asks for explanations and special circumstances, but I don't believe that gets the same look as if it were in the regular section and could get built into the formula.

I will move on now from the form to this explanation I got from the U.S. Department. One of the statements here applies to me: "Families use their assets for a variety of reasons other than paying for a postsecondary education, such as retirement or emergencies. An allowance is subtracted from net worth to protect a portion of the family assets for those other purposes." That is exactly where I am.

In order to have a moderate level of living and retirement, providing for the basics of food, clothing, shelter, health insurance, and other emergencies, I can't envision going into retirement with a large educational debt on a reduced retirement income and continue to live in the Hartford area. I don't see how—they say they make allowances like on a scale, I guess, from age 40 to 65. But unless you know my complete educational expense commitment for both children through 1990 and the projected educational expense commitments for the one child, I don't see how they can judge that they are making enough allowance for this situation.

When it is all said and done, I have got 5 years left to pay down a loan. Even if the children help pay that loan down, it costs a single person in the Hartford area some $22,000 a year to live, according to the Hartford Courant. Now, the entry-level salaries that were being offered on the average last year to the UConn graduates was $22,000. So how in a short time can they be expected to help you?

You mentioned in your remarks and several other people did too about this $15,000 threshold limit on looking at assets. Again, in the Hartford Courant last year, it was reported that a family of four needed $27,000 to survive. They also go on and they indicate, well, they are not talking about liquid assets. You have got fixed assets that you can use as collateral for a loan. But with the collapse of the banking industry and all the other problems connected with it, we are finding—not we personally, but people are finding difficulty in getting a loan. They are going to be more strict about giving loans. It comes across that they think it is going to be easy.

I will just close now with a few observations that we as a country did not hesitate to engage in actions in Grenada, Panama, or Iraq. Money was no object. You know, there were certainly necessities, and no one will criticize that. We found it necessary to escalate the war on drugs. Money was forthcoming. George Bush campaigned that he was going to be the education President, and as everybody else has testified, the money is being cut back.

That is what I think you are here to address, and we are here to help you. As has been said, too, our people are our best asset, and again it was demonstrated in the war. And many of the components of the weapons systems came from New England where we have this situation or we have the benefit of trained people and good minds. In order to keep our leadership in the world and also face the challenges we have—you name it, from pollution to many other things—we are going to need a Nation that is on top of things to be able to solve these problems and not be a liability to our future generations.

Thank you.

[The prepared statement of Mr. Harrison follows:]

PREPARED STATEMENT OF MR. HARRISON

I appreciate this opportunity to express my views on college financial assistance issues. I have written on previous occasions to express the need to update the Higher Education Amendments of 1986. They are out of date in 1991, especially in New England.

I would like to bring your attention to the Financial Aid Form for School Year 1991-92. This is one of a few basic forms that must be processed by a student in order to be in position to be considered for financial assistance. First, I would draw your attention to the instructions on page 8. Work Sheet 2 deals with untaxed income and benefits. I discovered that a company 401(k) savings plan that is designed for supplemental retirement purposes is considered as a generic 401(k) plan and untaxed income going into the plan must be reported for available asset purposes. Payments to tax deferred pension plans are not to be reported as an asset to be considered as a resource. I believe the regulations should be changed to exempt these plans' untaxed income as well, as long as the employer can certify the purpose of the plan.

Further inspection of the list will show benefits that I believe should be removed from consideration for covering college expenses. If you look at what they are you will note that the benefits covered are for the unemployed, under employed, disabled, retired, and classes of occupations that traditionally have low wages or salaries and can only survive in the regular world with the allowances provided. The USDE explanation correctly states that, "Untaxed income and benefits are included because they may have a considerable effect on a family's financial strength and, in some cases, may be the family's main support." That doesn't mean, however, that this benefit is available for college expenses; it was awarded for other reasons and intended for living expenses.

Section F, 1990 Expenses, is about the only section that asks for expenses. The form asks for medical and dental expenses not paid by insurance. It does not ask for the out of pocket expense of a co-pay by the employee for medical and dental insurance coverage. This is becoming very significant as the high cost of medical and dental insurance coverage grows.

Section F of the form asks for the 1990 elementary, junior high, and high school tuition for dependent children other than the applicant. It does not consider or ask for any other school debts that are still to be paid, such as the four year college debt for another child who graduated in 1990. It does not ask for educational costs already incurred by the applicant through 1990.

Section I, Expected 1991 Income and Benefits, is an obvious section to be included. Absent, however, is a section where one can project anticipated expenses and the nature of these expenses—i.e. short term payment versus long term payment (another loan). One could argue to put this information under Section R, Explanations/ Special Circumstances. I don't believe it gets the same impact here.

In the explanation from USDE, page 2, the second paragraph, "Families use their assets for a variety of reasons other than paying for post secondary education, such as retirement or emergencies. An allowance is subtracted from net worth to protect a portion of the family assets for those purposes.," is exactly where I am. In order to have a moderate level of living in retirement, providing the basics of food, clothing, shelter, health insurance, and other emergencies, I can't envision going into retirement with a large educational debt on a reduced retirement income and continue to live in the Hartford area. I don't see how anyone can evaluate my situation at age 60, with no more than 5 years to retirement, and arrive at an "allowance" as age increases from 40 to 65 years old without knowing my complete educational expense commitments for both children through 1990 and the projected educational expense commitments for the one child as well as other projected expenses that will require long term financing. In addition, even if my children contribute to paying down the loan, they can't contribute enough in 5 years from their entry level salaries and wages when it costs a single person $22,000 per year to live in the Hartford area and the average starting salary offered to 1990 graduates was around $22,000.

Leaving the Financial Aid Form, I would like to address some of the explanations received from the USDE. A change that needs to be addressed is the family total income threshold of $15,001 for considering assets in figuring the total financial strength. In the Hartford area I can't imagine a total family income of $15,000 allowing any accumulation of assets that one could use as collateral for a loan. Last

year it was reported in the Hartford Courant that a family of four needed around $27,000 to live in the Hartford area. The lower limit of $15,001 needs to be raised to a realistic level compatible to this area of the country before it can be assumed that assets or equity in assets are being accumulated sufficient to be considered as collateral for a loan. Considering the recent collapse of the banking industry due to bad investments, loans, and other reasons, any loans being considered today are going to be more conservative. The tone of the USDE explanation comes across that this will be easy.

I would like to conclude with a few observations. We, as a country, did not hesitate to engage in actions in Granada, Panama, or Iraq. Money was no object. We found it necessary to escalate the "War on Drugs". Money was forthcoming. George Bush campaigned that he was going to be the "Education President". Money is being cut back.

As a world power, our best asset is our people—their development and trained minds. The fruits of past efforts was demonstrated in the Gulf War with the fantastic performance of our weapons systems. To keep our world leadership position requires a continuing effort to develop and educate our people. We have many challenges and problems to solve in order to preserve our nation and planet.

Senator DODD. Thank you very much, Mr. Harrison. We will have some questions about those particular points.

I introduced Kimberly Webb, but I think I am looking at William Adams. I see a different name here, and I appreciate your being here.

Mr. ADAMS. Hello, my name is William Adams. I am a resident of New Hartford, CT. I graduated from South Broward High School in Hollywood, Florida, in 1979. After graduation, I attended community college in Stone Ridge, NY. There I took courses in liberal arts and sciences. I had completed 47 of the required 60 credits when I had gotten married, and I was forced to take a full-time job to support my wife and myself.

My first job after leaving school was an apprentice position with Ulster County Sheriff's Department. I was working in the automotive department making just above minimum wage. After working there for roughly 18 months, I had yet to receive a wage increase. Additionally, my wife had just given birth to the first child, and financial obligations were getting impossible at minimum wage. In order for me to make ends meet, I had taken another job as shipping and receiving clerk for around $5 an hour.

My wife became pregnant for the second time. By the time our son was born, although my salary was raised to $6.25 an hour, living expenses were getting increasingly harder to handle. It was nearly impossible to support the wife and two children on just $6.25 an hour.

A short time later, my wife became pregnant with the third child, and I knew I would need another job in order to pay the bills and feed and clothe my family.

While the decision was a difficult one, I knew I had to support my family, so I started a business with my father in Dominica in the West Indies importing exotic flowers. For 3 years, I lived under terrible conditions in the West Indies: No running water, electricity or other modern necessities. All the while I sent the money back to the wife in New York.

In 1987, my father died and we had to close the business. In desperation, I took odd jobs in restaurants, never making more than $7.50 an hour. It was very difficult to survive on such little money.

In March of 1990, I found out about Hartford Technical Institute. I found out that I could get training in automotive work where I

could make a salary that, you know, would enable me to support myself and my family. I enrolled as a full-time student at Hartford Tech in the automotive program. The program lasted for 8 months, and I graduated in October of 1990. Since then I have been employed in Value European Imports. This year I expect to earn about $27,000.

None of this would have been possible without the financial aid. Being eligible for aid, I received a Pell grant and student loans to make my education at Hartford Tech possible. Now I am in the process of paying back my loans and meeting my other financial obligations due to my career.

If it wasn't for the availability of financial assistance, my education at Hartford Tech would never have been possible. I understand you are now deciding how to change financial aid programs. Please keep giving other people the same opportunity I got. People should be able to get the help they need to get them on the right track and to keep them there. I think you will find it helps more people than it hurts.

Thank you.

Senator DODD. Thank you very much, William. We appreciate it. Where were you in the West Indies?

Mr. ADAMS. In Dominica. It is a small island down around Martinique.

Senator DODD. Stephen Curley.

Mr. CURLEY. I appreciate your asking me here to testify before your committee hearing. I am currently a sophomore at Trinity College, in Hartford, CT. I guess I am here to testify to the increasing pressures on middle-class families in providing their children with higher education.

I come from a middle-class family in Connecticut. There are five members of the family, and I have two working parents. The combined salary of my two parents is around $34,000, after taxes. The financial commitment to both my sister and myself, in terms of tuition each year, is around $32,000 a year. Obviously, without financial aid, it would be impossible for my parents to provide us with higher education.

Upon completion of my undergraduate career, I expect to have a mass of debt of around $12,000 or $13,000 in Federal loans. I have not been eligible for any Federal grants up to this point. It is Trinity College that I feel particularly indebted to, because it is really the private institution of training that has helped my family bear the strain of an $85,000 education at this institution of higher learning.

Predominantly, it is through grants of the school that has helped me, and it has really been the financial aid office which has patched together a system of grants from the school, loans from the school and loans from the Federal Government which has allowed me to attend training.

At one time, it was only wealthy people that could attend college, and in the 1940's and 1950's, with the GI bill and other various support systems of the American government, it became possible for more and more Americans to attend college. That commitment to education has laid the economic foundation and given us overall economic prosperity which we have been experiencing and

continue experiencing today, but increasingly that commitment has shifted, and it is now increasingly difficult for middle-class students to afford the best possible education.

It is not intelligence or commitment to education that is reducing the middle-class in options, rather, it is the size of their parents' bank account. My sister, in fact, was accepted at a number of ivy league schools upon completion of her undergraduate degree. However, because we did not have the financial resources to commit ourselves to a $50,000 a year combined tuition, she had to compromise and go to a different school in order to be able to met our financial obligations.

Another one of my classmates from high school is forced to work between 20 and 25 hours a week on top of his studies, and it is my feeling that this has really compromised his studies and constrained his experience at college. It is only through his increased working that he has been allowed to attend college.

I feel that, especially in times like now, every dollar that the Federal Government invests in education, it is really a reciprocal relationship. Right now, without financial for education and the help of bringing in the Federal Government, the chances are I would not be able to attend college. I would be unemployed or underemployed or in an unemployment line. The end result of getting financial aid is that I will complete my 4-year degree and enter the workforce with the skills necessary, the necessary marketable skills to become a highly salaried taxpayer.

So, in the long run, I feel that the Federal Government benefits just as much as middle-class students from every dollar that goes to education. I really feel that every dollar the Federal Government provides in financial aid is really a microeconomic investment in individuals and a macroeconomic investment in the future of the United States.

Thank you very much.

[The prepared statement of Mr. Curley follows:]

PREPARED STATEMENT OF MR. CURLEY

My name is Stephen Curley and I am currently a sophomore at Trinity College in Hartford, CT. I come from a middle-class family of 5 with 2 working parents. The combined salaries of my father, who is an engineer, and my mother who is a clerk for the town of Wethersfield, is around $34,000 a year after taxes. My parents are presently committed financially to both my education and that of my elder sister, who is a Ph.D. candidate at the University of Rhode Island. The combined tuition, including room and board, for both my sister and myself amounts to $32,000 a year.

It is obvious that without financial aid my family would not be able to provide for our education. I feel very fortunate to be receiving the quality education I am in light of these facts. My parents sacrifice, wonderful support from Trinity College through grants and loans as well as Federally insured loans have allowed me to pursue a college degree. Upon completion of my undergraduate degree I will have amassed a debt of around $12,000 to $13,000 in Federally insured loans. For those loans I am grateful but it is to Trinity College that I feel especially indebted. It is Trinity College that is really helping me to bear the burden of a $85,000 dollar education, providing me with the support both I and my family need. The question is how much longer will private institutions and middle-class families be able to bear the costs of educating America's young men and women. It is time the Federal government take a more active role in supporting the future of our nation through a commitment to educating its people.

In our society a quality education is of the utmost importance. A persons level of educational attainment plays a large role in shaping their life in America. Not so long ago a college education was for the wealthy and upper echelons of the middle-

class. However, with the help of the government in the 40's and 50's a college education became something all Americans could strive for and achieve. The governments commitment to education expanded the college experience of many Americans and laid the foundation for economic prosperity the nation has enjoyed and continues to enjoy today.

However, the opportunity to receive the best possible education has become increasingly difficult for many Americans. The sky rocketing costs of a quality education are becoming more than the middle-class family can shoulder alone. If something is not done immediately to help support students from a middle-class background the meritocratic society and the ideal of equality of opportunity will cease to exist for the vast majority of the American population. The fact of the matter is that for many of my high school classmates the overriding questions were financial when deciding which college to attend. They could not attend the best school they were accepted by for the simple reason they could not afford the tuition at the best schools. Middle-class students options are being reduced not by their level of intelligence or commitment to education, but rather by the size of their parents bank account. My sister was accepted by some of the finest graduate schools in the nation upon completion of her undergraduate degree. However, her chance to attend an Ivy League school was made impossible because our family could not afford the cost and there was no place for her to secure the financial resources necessary. Another example of this inequality of opportunity through lack of proper funding for higher education can be seen in the case of one of my high school classmates. He is ineligible to receive an adequate amount of financial assistance and as a result he is forced to work 20 hours a week in a supermarket. This money proves crucial and it is only through augmenting his parents contribution that it is possible for him to receive a college education. There is no question that this extra burden has hampered his studies and constrained his college experience.

Up to this point I have pointed out how increased higher education funding from the Federal government can benefit middle-class students. However, the benefits are reciprocal and in the long run the Federal government will profit every bit as much as the middle-class student from a strong commitment to education. Especially in rough recessionary times it is important that the Federal government commit itself to education and support the educational aspirations of its middle-class students. Financial aid has allowed me to stay in school and continue my education despite the recession and a recent job change by my father. Without financial aid I would be another person with no marketable skills desperately seeking a job in a recessionary market; in all likelihood I would probably be unemployed or underemployed. However, with help I am completing of my education and upon graduation will be able to bring desired skills to the market place, these skills will enable me to become a productive member of society. In the end there is no question that the Federal government will benefit, keeping me out of the unemployment lines now and in the future gaining me as a highly salaried taxpayer. Further, by helping to educate its citizenry the government ensures the foundation necessary for continued economic growth and prosperity, creating a labor force equipped to handle the tasks required by an ever increasingly complex world and global economy. When the Federal government provides financial aid for education it is really a microeconomic investment in individuals and a macroeconomic investment in the future of the United States.

Senator DODD. Thank you very much, Stephen. I appreciate your being help. It is very helpful.

Sukiby.

Ms. NICHOLAS. Senator Dodd and members of the committee, good afternoon. My name is Sukiby Nicholas, I live in Manchester, CT, and I work for Group America Insurance Company in East Hartford, CT.

I am honored to speak to you today by my education at Computer Processing Institute in East Hartford. This morning, I want to tell you about what I have learned at CPI, why it is important to my life and how financial aid made it all possible.

Senator DODD. CPI, by the way, is the Computer Processing Institute?

Ms. NICHOLAS. Right.

Senator DODD. OK.

Ms. NICHOLAS. In June of 1990, I graduated from Manchester High School. While there, I pursued a regular academic course load and took a few business-related courses, in order to begin a career in the clerical and administrative field.

During my senior year in high school, I worked at a local chiropractic office. Unfortunately, due to the economic circumstances, I got laid off. I began looking for another job and interviewed with many different firms, but had no luck finding employment. It was clear to me that I needed something more to offer employers than a high school diploma.

In August of 1990, I enrolled at the Computer Processing Institute in East Hartford. I had seen some advertisement for CPI and was attracted to the learning opportunities, so I made an appointment with the admissions office to get more information. After speaking with some of the people at the admissions office, seeing this girl and finding out about the 90 percent placement rate for their graduates, I was encouraged to give CPI a try.

However, if I was to receive a postsecondary education, I was going to need financial assistance. Fortunately, with the help of my mother as a cosigner, I was able to get one guarantee student loan and other supplemental student loans. This allowed me to further pursue my education and training. I enrolled in CPI's information processing course. The course provided education and training in word processing, bookkeeping and data entry. Since I was not making any money while going to school and I needed money to survive, I participated in a work-study program with CPI and Group America, Inc.

CPI is a terrific school for all people who want to get a good education and solid training. They teach courses in Electronic Technology, Computer Operations, Computer Programming and a course of study, Information Processing. While at CPI, I found it easy to learn—there were never more than 20 people in any of my classes, and my teachers gave a lot of personal attention.

In February of this year, I was graduated from CPI with a diploma in information processing. By the end of March, I had gone from a work-study position at school to Group America as a medical underwriting support technicians. I am very fortunate to not only have a job during these tough economic times, but to have a good job that I like a lot and look forward to going to each day. I know that I am learning new things each day and that there is room for advancement.

It is important to me that other people get the same opportunity as me to get an education. Without student aid, I would have been in a very difficult situation. I got my chance when I learned about CPI, and they helped me understand how I could obtain financial aid.

While I realize that there are concerns about student loans and some students attending private career schools, I also realize how much good can be accomplished by giving students the opportunity they need to get ahead and to prosper. Student aid does play an important part in ensuring that all people have the opportunity to pursue a postsecondary education. When Congress looks at the financial aid program, they must keep in mind that the future depends on them to help make education available. I was lucky to go

to a school where the staff really supported the students and how I am happy to be in a career that I know I will continue to grow.

I hope for my sake and for others that Federal financial assistance will not be a thing of the past, but will allow for people who have real ambitions, but are not going to attend a 4-year college and a chance to a solid and productive future.

Thank you very much for allowing me to testify.

Senator DODD. Excellent testimony. Thank you very much.

Veronica, thank you for being here. I identify you as the patient witness, because you are last.

Ms. ALLEN. Good afternoon, Senator Dodd.

My name is Veronica Allen and I am a senior and music education major at the University of Connecticut. I have prepared a statement for today, but as I listened to the previous panel, I decided to, instead, just bring paperwork which shows some of the problems I have been having with the financial aid system.

This is a statement from the 1990–91 year, which is this year, my senior year. I am going to read off some of the grant scholarships and loans that I am getting, and this is in total for both semesters combined together: Tuition or admission, rent, $1,500; university grant, $704; Stafford loan, $2,550; Pell grant, $522; and I have a music scholarship for $750. That total comes to $6,026.

Now, on this sheet I have here, student's educational expenses, $9,300, and I am assuming that includes tuition, room and board, and the money that the student will need for books and other personal needs. Parents' contribution is $178; student's contribution is $1,096.

Now, what I have brought is a student aid report, which is, of course, as many of you people know, the report that comes after a student has filed for financial aid. This is for income tax forms. My mother last year made $20,000. I come from a family of 7, and there are 3 dependents, and that included my mother, my little brother and myself, because I am still in school.

Last year, I made about $5,000, so as you can see, parents' contribution, $178, student's contribution, $3,096. In my situation, it is not possible for my mother to give money for me to pay for school, and I have been through this process before. What you do is go for loans, you go for more loans. I signed for a guaranteed student loan at the university.

I went to the financial aid office, and they said, according to this, the student's tuition would be about $7,300. According to this, students need about $6,026, so I have to come up with about $1,300 on my own, and I do that with loans. What happens is I sign for a loan—by the way, this sheet I have here is an estimate of what I might get.

What happened is one of my—I think it was the Pell grant—I did not get all of the money that I needed, in other words, and I had to come up with extra money. I resigned for a loan which I did not get. I tried to up the guaranteed loan, which I did not get, and therefore had to borrow money from professors in my department, and that is the kind of problem I have been having.

I have all the paperwork here and that is my statement today, basically the problems I and other students at the university are going through.

Senator DODD. The point I think you make here is that is more the norm, than the exception. Whether or not you borrow from the professors, that may be unique, but it is not unusual that you have to come up with creative ways to finance your education——

Ms. ALLEN. I have been getting guaranteed student loans for 3 years now, and I have gone to the maximum, I am signing for the maximum amount.

Senator DODD. What is your debt obligation right now?

Ms. ALLEN. This is another point I was going to bring up. I called home to ask for any money I could get, and first they said we do not have any. My sister suggested I get credit cards and cash advances and get as much money from that as I can, and that is what I have been doing.

Senator DODD. We are competing with each other right now.

Ms. ALLEN. That is what I have been doing. This year, I was at the point where my credit cards are to the maximum, and I had to borrow from outside sources.

Senator DODD. Give me some idea in bulk terms of what you are looking at.

Ms. ALLEN. Now, do you want me to include——

Senator DODD. You are finishing up in June?

Ms. ALLEN. Yes. Do you want me to include credit cards, or just——

Senator DODD. Just your debt. What is your debt?

Ms. ALLEN. About $12,000.

Senator DODD. $12,000?

Ms. ALLEN. $12,000.

Senator DODD. And how old are you?

Ms. ALLEN. I am 22.

Senator DODD. 22 years old, and you are starting out with $12,000 debt.

Ms. ALLEN. Yes.

Senator DODD. And you are a music major?

Ms. ALLEN. A music major, yes.

Senator DODD. I do not know, maybe you will really do it, you will be——

Ms. ALLEN. Music education.

Senator DODD. Well, let me ask you two questions, basically. Mr. Harrison, you have detailed it already, to a large extent, but let me start with the first one, because it is something I said earlier, and I would be very interested in your comments, not only about your own experiences, but knowing other peoples, as well.

First of all, I am deeply impressed with each and every one of you, I must tell you. Each one is a unique story, in a way, and you make me very proud to represent you, because, in effect, you are people out doing creative things in order to improve your own situation, and you are fortunate to have parents or wives or people who have made a difference in your lives in many ways, who have been there when you have needed them.

In your case, Mr. Harrison, you are a parent who has been there when your children have needed them, and it is tremendously encouraging. The sense I had—and I do not know if you heard me say this to the previous panel—is that there are an awful lot of people out there who could be sitting at this table, who could tell similar

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stories, who are not. They are in that unemployment line, Steven, or they are underemployed or whatever else they may have to do, because they just could not work through this system or they did not get any help in the process along the way or did not have someone else giving them some idea of what to do.

Some of you, obviously—in the case of you, Ralph, you are in the Army, so it may not be entirely applicable—but I am kind of interested in hearing from Stephen and Sukiby and Veronica and Monique, as well, and maybe Mr. Harrison could comment on what happened in high school, in your high school, in terms of the assistance that you got from counselors and others about letting you know that there were things out there that you could do, that there were places you could get help and assistance. William, I do not know whether this applies to you, as well, but you could comment on this, if you would like to.

If you know the students that could have qualified, but were not sought out, what sort of help and assistance? Then, I would like to know briefly—and all of you can comment on this—how you were made aware of the academic requirements of institutions, how you were made aware of the various financial assistance programs, and how did you become such experts in these things along the way. I am very interested in how you got that information, who provided that kind of assistance and how you ended up where you are, putting aside the question of whether or not we should have it and we need it, and so forth. I am intrigued about how you got there.

Mr. MARIANI. To answer that question right from the beginning from high school, I did attend college. I did 6 months in City College of New York, taking up computer science, majoring in computer science.

Senator DODD. A good program.

Mr. MARIANI. It turned out at the time, in 1983, my parents were making too much money and they cut down my financial aid, saying we cannot give you this much money, so I could not stay in college. So, I found out that in the service, in the military, you become eligible under the GI bill and get tuition assistance after you finish your obligation.

It turns out, after I finished, I decided to pursue the career in communications. At that time, I messed up in getting my GI bill together, so it expired. It is just like a contract, it expires and I did not use it, so I lost out.

It turns out that they said if you reenlist again, which I am still on active duty with the Reserves, they will pay back tuition, if you get financial aid, they will pay back all of the loans 100 percent, so that is what I did, and I am in the process of paying back my financial aid, which I am about $4,000 in debt right now, it will be paid off by the end of the year, and also the new job that I started at Electric Boat will pay 100 percent tuition, job-related, it has to be job-related, that I could take as far as college courses. So, that is how I found out more, by talking to other people and reading about what I could do for myself and help my family out.

Senator DODD. Monique.

Ms. BRISCOE. Fortunately and kind of unfortunately, I was in part concerned when I attended Glastonbury High School. My counselor was very helpful in assisting me to attend college. She

gave me application waivers, she told me to apply to any college I could. She was saying here, just try this, try this.

Senator DODD. How many seniors were in the graduating class at Glastonbury High?

Ms. BRISCOE. I think almost 400.

Senator DODD. And how many counselors were there?

Ms. BRISCOE. I believe there were 6 or 8 counselors.

Senator DODD. That is pretty good.

Ms. BRISCOE. I was fortunate for my counselor to push me to get my applications in and go ahead, and I got accepted to all four colleges I applied for in Connecticut, and I chose UConn.

But there are stories that I have heard of other students who are attending like Hartford schools, either they know they are not going to be able to afford it, so they are saying that they are not going to apply, since there are so many kids and so much to do, they cannot interact with each other to say apply for a school.

I have heard stories that some counselors are discouraging kids, black kids especially, not to go to colleges or do not apply to certain colleges, because they are saying you will not be able to get in, so I think that is very sad in this case.

Senator DODD. I will come back to you again, Mr. Harrison. I am interested in hearing Steven.

Mr. CURLEY. I went to a Catholic high school, and there were about 150 in the graduating class, and there were 3 fulltime counselors, so they did a great deal in helping me realize what financial options were available to me. They did a very good job, as well as the financial aid office really does run a tight ship.

Initially, when I first entered training, I did not think I would be available for any financial assistance from the Federal Government, but they have since talked with my parents and they have met with my parents three times, actually, in terms of creatively financing my education, and they have come up with around $2,000 to $3,000 each year in Federal insured loans, which will amount to between $12,000 and $14,000 when I am done with college. So, I have been extremely lucky in having good guidance and support systems to realize what financial opportunities exist.

Senator DODD. Sukiby.

Ms. NICHOLAS. From high school, I took a couple of classes that dealt with business.

Senator DODD. You took a college prep course?

Ms. NICHOLAS. Right.

Senator DODD. You went through high school and you were on that path.

Ms. NICHOLAS. Right, but I still was not sure what I wanted to do. I knew it had to do with business, because I took typing and accounting, but my counsel advised me that I should go to college, and I could not afford it with my mom and my other brother and sister living with me. She barely makes fulltime, about 30 hours a week, and it is not much. I just recently got laid off from my job, so during that summer I had no job and that is when I decided to go to CPI, which the admissions representatives helped me and told me about everything I could do about financial aid, and that is when I decided to go there.

Senator DODD. Veronica.

Ms. ALLEN. When I decided to go to college, I asked my mother if I could go, because of money reasons I felt I had to ask. She said no, so I went to my counselor in high school and she said it was very possible through financial aid. She did not exactly explain about the Pell grant. She just basically gave me the forms and told me different schools I could go to for my major, and I decided to teach music and things like that.

She did suggest, which I thought was great, to take a trip to the university and meet with one of the financial aid counselors and talk about the different kinds of grant scholarships, loans and things like that that I could do, and so that was available.

One of the problems I saw happen, though, is now that I am in college and I go back home in New London and back to my school, I find that a lot of people are deciding not to go to college, just because of money. I am the only person in my family in college. I decided to go, and I cannot tell you why. Having no money, I cannot tell you why I decided to go, but it is really discouraging.

When I go home, I work with one of my friends at McDonald's and I say you can do it, it is out there, and they say it is impossible. They just think because of the money, it is absolutely impossible.

Senator DODD. Well, they look at the $12,000 you owe, and that does not exactly act as an inducement to want to charge off, to school without a guarantee that you are going to get a job. Do you have a job lined up for this next summer?

Ms. ALLEN. No, the job possibilities in Connecticut for music education are really, really hard to find. A lot of people are having to go out of State to get jobs.

Senator DODD. I have a sister who teaches at the Fox Middle School in Hartford, and she is holding her breath today, too, in terms of what is happening.

Wilhelmina.

Mr. CAMPBELL. I just wanted to be able to interject that, although it has been ancient years since I have been in high school, prior to my coming back to the college setting, I was as recruiter and I recruited high school students, so I interacted very strongly with high school counselors and university advisors, as well, on financial aid situations.

One of the things that I have noticed ongoing is that the super stars in the high schools are identified immediately and those students are given information regarding financial aid. However, the average students or the students that might not be considered college material are sent off to technical school training or something else, and now with the high dropout rate at high school, even more students are not looking toward college as an alternative. As you probably well know, cutbacks are going on in Connecticut high schools, as well, all of the schools.

Senator DODD. I have done a lot of work on the dropout issue, and 4 out of 5 dropouts have IQ's or academic records that are substantially above normal. The dropout student invariably is the brighter student. It is incredible, but it happens to be—most of us assume that the student is just not making it somehow intellectually or does not have the capacity to. In fact, the overwhelming majority of the dropout students fall into the brightest category.

Mr. CAMPBELL. Counselors are being cut, as well, at the schools. I do not know about any other town, but I know in the town of Bloomfield, we are losing 3 high school guidance counselors with the new budget cuts, and, again, that affects high school students and the assistance that they could give.

Senator DODD. Mr. Harrison, you have been through the wars on these things. Mr. Harrison did such a good job in explaining some of these forms and has written to all of us in the delegation about it. One of the things I want to get a general feel for is the application process for aid.

You know, if you were looking, as you were, Veronica, at a variety of different programs, going through the same applications and all of that information, there has got to be a better way of doing this. Is this something you have all encountered, or are we exaggerating it? Obviously, you have got to get as much information as you can, and a lot of this stuff may seem silly, but, frankly, the government, in order to make sure that people are getting the assistance—let us put aside for a second whether or not you agree with the limitations and so forth—to at least minimize the possibility that there is fraud and they want to make sure that the people who are getting this assistance are the people who truly need it.

I remember a few years ago, where someone sued the Hollywood studios for the profits, and the studio came out and said there were not any profits, and they showed a staggering amount of money they had made and were able to demonstrate how they actually lost money on this thing. Accountants can be very clever.

In a sense, I was thinking, as you were saying this here, Donald Trump, I presume, could show that he is almost broke and if he filled out the forms today—it might even qualify him for a Pell grant.

So, the kind of information you bring to bear, the debts you have, the obligations you have are important. I think too often we are too quickly critical of those who are responsible for putting together the necessary information. So, I want to say, in fairness to them, I try to be understanding, that the simplicity or complexity of the aid programs does not necessarily mean that you are going to have a better program.

There also is total redundancy that you get, where the right hand is not looking or is forgetting to deal with the left, in a sense, in terms of making it a bit easier. I see nodding heads around here. I guess what Mr. Harrison had to say is an experience that each and every one of you have. Is that true?

Mr. ADAMS. Pretty much so, yes.

Senator DODD. Complicated?

Mr. ADAMS. Yes, it is, it is very complicated. There are a lot of things that happen. There are a lot of situations, and no matter how much you try to overcome, it seems like there is something else that is going to jump in the way and present a bigger problem.

Senator DODD. Let me ask Mr. Harrison last here: You listened to all of the students talk, and so forth, and I was curious as to whether or not the choices that your daughter and son made on institutions, were affected by the financial aid programs and what was the cost of these schools, and so forth? How heavily did that weight in the decisionmaking process?

Mr. HARRISON. In the one case, that was the considered thing. The daughter that graduated in 1990 applied to 5 colleges and was accepted at all of them, and we attended open houses and what-not. That, incidentally, is where we learned more about student aid, as well as we have workshops at the high school for parents to come in and learn about that, and this is where we first learned more about that.

Going to the University of Connecticut, not to take anything away from the universities, she got there and loved it for 4 years. The thing of it was, the other schools, with the assets and everything, there just was no aid. There was none for her at UConn, either, but at least it was affordable. But the price there went up from her freshman year to her senior year, I would say by 50 percent from one end to the other.

The daughter that is going on here at the University of Hartford, there are no 4-year State colleges that have the program that she is into. She is into respiratory therapy. It is a 4-year program. She spends 2 days a week at Hartford Hospital, as part of the clinical training. The only other universities in the State are the University of Bridgeport and Quinbaug College that offer such a program, so it was necessary to come here to pursue that field.

She did get some aid the first 2 years, while the other one was in school, but then with the combination of looking at your untaxed income and the other daughter graduating, all of a sudden you got knocked off. Yes, you go through this process every year, you go through the same paperwork.

Incidentally, I am a ringer, in a sense. I was appointed and served on the State Board of Education in Connecticut for 2 years, and even though that covers secondary schools and primary schools, the State department had over 340 forms that have to be filled out by school districts and funneled through the State.

About 10 of those forms give you all the basic data that you would need. The rest of them were to meet Federal requirements, and I think if you want to know what paperwork does to you and how the ripple effect and the people have to be hired to administer and take care of all of that, it is horrendous. Now, you move on to college and it has got to be worse.

Senator DODD. It is staggering, and a lot of it is totally unnecessary and sits on shelves and rarely, if ever, becomes utilized to serve any purpose at all.

You have all been terrific and very gracious with your time, and this has gone longer than I had anticipated. It is very, very helpful to me and I wish every one of you great success in the future. If you have any additional thoughts you think might be worthwhile for the subcommittee, I would appreciate your submitting it. I will leave the record open for 2 weeks, and that goes for anyone else in the audience that did not have an opportunity to testify here. But if you have any comments or ideas or suggestions, it is a simple enough matter to get that material to my office and I will see that it is included in the record, as part of this hearing this morning.

I do want to thank specifically Elaine McCarthy at the University of Hartford. She was tremendously helpful to my staff in putting this forum together. I thank the President of this institution and the administration, as well.

I also would like to recognize a number of people from my office: Andrea Sciaflas who is here, from the Wethersfield office, and two interns, Lisa Hall and Kemble Stokes that also did a good job; but particularly the person sitting immediately to my right, who is Joan Hogan Gillman, a Connecticut resident, who is the chief staff person I have on this subcommittee and just does as fabulous job on working on higher education issues, and really drafted the legislation that people have talked about today. So, while we Senators get the credit for it, you ought to know, as many of you do, that it is smart, intelligent, creative hard work of the staff people that really make a significant difference, and Joan did a great job on this legislation. So, my thanks to the staff.

Before closing, I have several letters from different people on this subject which, without objection, will be made a part of the record.

[The letters referred to follows:]

April 2, 1991

The Honorable Christopher J. Dodd
United States Senator
100 Great Meadow Road
Wethersfield, CT 06109

Dear Senator Dodd:

It is my understanding that today you are asking for comment on the subject of Reauthorization. I also understand some people do not feel that schools specializing in teaching specific job skills are as adequate as four-year colleges. As a student of the Hartford Secretarial School, I have some observations I would like to share with you.

First, I attended Asnuntuck Community College in Enfield, Connecticut, for one semester. It was a very frustrating experience. I was denied financial aid at the time because I was 18 years old and living at home. I decided to try it anyway. I found myself stuck with courses I did not want and had no use for. The only time a guidance counselor took the time to talk with me was when I was considering getting my money back before it was too late to receive a refund. They did not seem to care what my needs were. I also found out later that several credits from Asnuntuck were not even accepted by many four-year colleges.

As time went on, I realized I had to make a decision about what I was going to do. I knew I did not have the luxury of time to waste in college finding myself. I ended up working in retail for the next five years. I learned more on the job than I could have ever learned at Asnuntuck.

Hartford Secretarial School was the first place that I really felt I had a chance to better myself. The programs are very thorough, and you receive the personal attention that makes all the difference in the world. I have learned valuable skills that are imperative in today's work force. For instance, I now take dictation at 90 words a minute and type at 55 words a minute.

I have met a large variety of people in my class. We all have a lot in common, even though we are from very different backgrounds. We all want to succeed. We all want to be able to make our own way in the job market and to make decent money doing it. Many have families to support, and many are supporting themselves. With the economy the way it is today, people need schools such as the Hartford Secretarial School. It is a school like this that will provide the vitally important skills needed to obtain and maintain a good job.

The employee I am about to become represents 70 percent of the work force out there today. The quality of education I am getting now is superior to that offered elsewhere. Fairness and access to financial aid is essential not only to future students, but to our economy as well. Thank you.

Sincerely yours,

Mary McCarthy

Mary McCarthy
11 Coolidge Street
Windsor Locks, CT 06096

FAIRNESS

Business schools should not be denied financial aid. We think it is unfair. Every person should have an opportunity to an education; therefore, they should be eligible for educational financial aid. Several students in our school have attended state college or community college before attending Hartford Secretarial School and know that they are now receiving a better education and being trained with the latest learning materials.

Schools of this caliber allow students of low income families to afford an education. Hartford Secretarial School offers the necessary skills required that are used in the work force today. Seventy percent of the work force comes from schools such as Hartford Secretarial School and other business schools. Today's employers seek employees that are well trained and prepared. We have a follow up program for students, and a job placement program in the work field. A professional attitude is passed on to the students who later carry it out into the work force. We can get a better understanding from our professors. This builds a better america.

We know that many things have changed in the last three months for the worse in our state. What are we the to do? Go on welfare? Lose our hope? Does the Government care? Our school cares! Lets keep the financial aid coming in order to keep our schools open for future student. Lets help Connecticut keep or it's low unemployment record.

If not for the financial aid programs available many people would not be able to attend business schools and would be faced with unemployment and welfare. As a result, these people will be able to get off state aid and become independent and lead productive lives.

Velinda Cruz
20-B Imlay Street
Hartford, CT 06105

Maryanne Sherbacow
18 East Normandy Drive
West Hartford, CT 06107
March 28, 1991

The Honorable Christopher J. Dodd
United States Senator
100 Great Meadow Road
Wethersfield, CT 06109

Dear Senator Dodd:

I am writing to urge your support for continued federal funding of financial aid for education. I feel fortunate that I have had the opportunity to pursue my education at the age of 30 with the help of our federal government and hope that the same opportunity is afforded to future generations. Had financial aid not been available, I would not not be able to accomplish my personal goals and further my professional career.

I am hopeful that you will continue to support and fight for education. It is one of our country's greatest resources.

Sincerely,

Maryanne Sherbacow

Maryanne Sherbacow

221 Sisson Avenue
Hartford, Ct 06105
March 28, 1991

The Honorable Christopher J. Dodd
100 Great Meadow Road
Wethersfield, CT 06109

Dear Senator Dodd:

I am a student of Hartford Secretarial School and I am concerned on the reauthorization of the Higher Education Act of 1965. Title IV covers federal student financial aid. The funding will be cut for schools like ours.

This is my third semester at Hartford Secretarial School and I am confident of the skills I am be learning. I chose Hartford Secretarial School so that I can support myself and continue going to college. I plan to graduate as a legal secretary. I cannot to go to a four year college and Hartford Secretarial School suits my needs perfectly. The teachers at Hartford Secretarial School are very warm, personable, and there for you when you need them.

Without access and fairness, people like us would not make it in this world. More than 70 percent of our work force are people who attend business schools like Hartford Secretarial School, but do not have means to go to a four year college. Only 30 percent of our work force comes from students that can afford to go to a four year college.

Leave financial aid as it is—to give everybody a chance to make something of themselves.

Cordially yours,

Esther Charles

Esther Charles

March 28, 1991

The Honorable Christopher J. Dodd
United States Senator
100 Great Meadow Road
Wethersfied, CT 06109

Dear Senator Dodd:

As a student of Hartford Secretarial School, I am asking you to consider carefully your stance on access and fairness for school loans. With the training I receive from Hartford Secretarial School, I will be qualified to work in almost any office. Hartford Secretarial School has given me confidence and strong skills.

I attended Central Connecticut State University for one semester. In that atmosphere, I had the feeling no one was there for me. There was little or no guidance open to me. I feel that a smaller school that specializes can give students a better opportunity to learn. The teachers in our school care what happens to us as people.

Access and fairness for student loans to small business or technical schools is very important. I think we should all be given the chance to determine the type of school we want to attend. Having attended a four-year college and Hartford Secretarial School, I am much happier here. As graduates of business and technical schools, we make up 70 percent of the work force. Please keep access and fairness available to all.

Sincerely,

Kim Burns

Kim Burns
Hartford Secretarial School
365 Asylum Avenue
Hartford, CT 06105

March 28, 1991

The Honorable Christopher J. Dodd
U.S Senator
100 Great Meadow Road
Wethersfield, CT 06106

Dear Senator Dodd:

I am writing to you about the Title IV act. I just found out that you are cutting out the federal funds once again.

I chose to attend the Hartford Secretarial School, because I could not afford to attend a four-year college. This school offers the individual help I would need to go out in the work force and try to make a living.

I like attending the Hartford Secretarial School because I have learned more from here than I could have learned anywhere else. Here I learned to type, file, and do a lot of other things because the teachers are always here to help me when I'm in need.

Why should money be available to psople attending four-year colleges? What is going to happen to people who can't afford four-year colleges? Where are the funds going to come from the pay the recipients.

Yours truly,

Tori McCalop

Tori McCalop
77 Mountain Laurel Drive
Wethersfield, CT 06106

March 28, 1991

The Honorable Christopher J. Dodd
U.S Senator
100 Great Meadow Road
Wethersfield, CT 06109

Dear Senator Dodd:

You have done an incredible job in maintaining the educational system. You have outdone yourself in establishing equal opportunity for each and everyone in this state.

In the past the financial aid for students either from the private or governmental schools have had the opportunity to select the school they are best suited for.

I am a student at the Hartford Secretarial School, and I applied for financial aid. If for any reason you plan to take away the privilege of financial aide from someone like myself, it would be difficult for me to be able to learn what I needed to learn to survive. The reason is that I am from another country, and it was difficult for me to learn to speak American English, but the patience and individual attention I received here at Hartford Secretarial School. If I had gone to a four-years or a two-years college I would graduate not knowing how to speak properly.

Money should be available to those who are willing to learn whether in private or governmental school.

Sincerely,

Darrell Jackson
Student

March 28, 1991

The Honorable Christopher J. Dodd
United States Senator
100 Great Meadow Road
Wethersfield, CT 06109

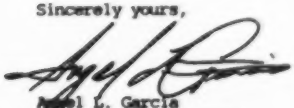
Dear Senator Dodd:

I am writing concerning the Higher Education Act of 1965. I feel that all students should have the right to decide which school they want to go to. As a student of Hartford Secretarial School and a former student of a community college, I feel it is necessary for all students to have access to all kinds of educational financial assistance.

There is a demand for all types of education including business schools and community colleges that provides necessary skills to prepare people who need to join the work force now.

Let the people decide for themselves what type of education they need. Thank you for your concern in this matter.

Sincerely yours,



Angel L. Garcia
111 Hungerford Street
Hartford, CT 06106

March 28, 1991

The Honorable Christopher J. Dodd
United States Senator
100 Great Meadow Road
Wethersfield, CT 06109

Dear Senator Dodd:

Once again I am writing in reference to the Higher Education Act of 1965 Title IV. It is not fair that financial aid is to be denied for business schools. I believe that everybody has the right to an education, and graduates from schools like Hartford Secretarial School do represent 70 percent of the work force. This builds a better America.

I am a single parent receiving state aid. Attending Hartford Secretarial School is the only way to get off state aid. I know I am receiving the training and skills I need in order to join the work force team and be a productive person. I want to give back something, and the only way I can do this is by working and teaching my children the importance of an education so they can also make a difference and not wind up on state aid.

Hartford Secretarial School supplies material and skills needed for the market of today. We also have the latest teaching materials, and they do follow up on getting or helping students with jobs. To me this is fair.

Thank you for your cooperation in this matter.

Sincerely,

Velinda Cruz

Velinda Cruz
20-B Imlay Street
Hartford, CT 06105

March 28, 1991

The Honorable Christopher J. Dodd
United States Senator
100 Great Meadow Road
Wethersfield, CT 06109

Dear Senator Dodd:

This is my second letter to you concerning the Higher Education Reauthorization Act. I am very concerned what will happen if people are not given the chance of education that I have had here at Hartford Secretarial School. Without the federal loans I have received, I would not have had this chance.

Connecticut is already having financial troubles. Having more residents go on welfare would not be fair to any of us, but that is exactly what will happen if people are not given the chance to go to business or technical schools. Not everyone can afford the time or financial sacrifices of going to a four-year college.

I appreciate your time in listening to my views.

Sincerely yours,

Patricia Hart

Patricia Hart
246 Bloomfield Avenue
Windsor, CT 06095

1739 Broad Street
Hartford, CT 06106
March 28, 1991

The Honorable Christopher J. Dodd
United States Senator
100 Great Meadow Road
Wethersfield, CT 06109

Dear Senator Dodd:

I am writing to you in concern over the Higher Education Reauthorization Act. Once again I appeal to you so that you can speak for us to the Senate.

I feel that I am more than fortunate to have received Title IV assistance. I am the only one in my family that has been able to continue education after high school. The reason I chose Hartford Secretarial School over a four-year college is that I cannot afford it. In a four-year college you do not get individual attention. You are on your own.

I do not think that is fair that only people who attend a four-year college receive this kind of assistant. What about us? I cannot afford a four-year college. Should I sit back and live off people who can afford a four-year college? Without this education that I am getting from Hartford Secretarial School right now, I don not know what would happen to me.

I hope that when you speak for us, you will keep in mind all these things that I have written to you about.

Sincerely yours,

Nancy Ortiz

Nancy Ortiz

March 28, 1991

The Honorable Christopher J. Dodd
United States Senator
100 Great Meadow Road
Wethersfield, CT 06109

Dear Senator Dodd:

I am writing concerning the Higher Education Act of 1965. As a student of Hartford Secretarial School and a former community college student, I feel it is unfair to eliminate any type of financial assistance from schools such the one I am attending.

Without these type of assistance, students like myself won't be able to get an education. This is the only way possible for a lot of students out there to get an education beyond high school.

There is a great demand in the work force of fully skilled people which is leading a lot of people into going back to school to get those skills they need. Those skills are provided at community colleges and business schools which represents 70 percent of our work force.

Let the people get the skills they need for the work force by providing them with the assistance they need to make it possible. Thank you for your cooperation in this matter.

Sincerely yours,

Edgardo Garcia
111 Hungerford Street
Hartford, CT 06106

March 28, 1991

The Honorable Christopher J. Dodd
United States Senator
100 Great Meadow Road
Wethersfield, CT 06109

Dear Senator Dodd:

I am writing to you to discuss the matter of Title IV of the Higher Education Act of 1965. I feel that you are not only taking away the financial aid from those who need it and want to accomplish something in this country, but you are taking away our rights of choosing which school we want to attend.

Many people want to be part of schools like **THE HARTFORD SECRETARIAL SCHOOL. THE HARTFORD SECRETARIAL SCHOOL** is a good example for those who can not go to a four-year college but still they want to work with others and make this society a better one.

That is why I am speaking for everyone who does not have the chance to enroll in a business school like the **HARTFORD SECRETARIAL SCHOOL.** I am asking for understanding in this situation. It will be helpful not only for me but for those that are trying to get financial aid.

Respectfully yours,

Lisa Salinas
804 Capitol Avenue
Hartford, CT 06106

67 Franklin Ave.
Hartford, CT 06114
March 28, 1991

The Honorable Christopher J. Dodd
United States Senator
100 Great Meadow Rd.
Wethersfield, CT 06109

Dear Senator Dodd:

I am writing to you in reference to the Higher Education Act of 1965. As a student of the Hartford Secretarial School, I feel that it is unfair to cut the funds for financial aid. Students at business schools like Hartford Secretarial School need the help of financial aid.

The business schools that have short-term programs are partly made up of welfare recipients trying to become self-sufficient. Without financial aid this will be an impossible task. These people, like me, have families to support. We have a need to get into the work force as soon as possible. This is one of the many reasons why I applied to this school.

Since 70 percent of the work force is from business schools like ours, it would be very much appreciated if you took this matter into careful consideration.

Thank you for your cooperation.

Sincerely,

Cassandra Pines

Cassandra Pines
AMA Student
Hartford Secretarial School

April 1, 1991

The Honorable Christopher J. Dodd
United States Senator
100 Great Meadow Road
Wethersfield, CT 06109

Dear Senator Dodd:

As a full-time student, the consideration of changing the eligibility requirements for financial aid is a topic of concern to me.

If financial aid was not available to me, I would not have been able to take advantage of the past year I have spent at Hartford Secretarial School. I have been able to develop the skills that I will need for today's competitive job market, without the expense of a four-year education. I am sure that there are many people in the same situation.

I have been out of high school for over ten years. I have financial responsibilities that would make it impossible to attend the school of my choice without some sort of financial aid. I think that everyone should have equal access to an education at whatever school that they choose, whether it is a one-year or a four-year school.

If The Higher Education Reauthorization Act is passed, it will effect many future students, making it impossible to get this type of education. The qualifications that I have gained in the past year are equal, if not superior to the same qualifications I would gain at a two-year or a four-year institution. I hope that you will consider the opinions of the many people that have benefitted from an education lasting less than four years, and that you will not deny future students this same opportunity.

Sincerely,

Kevin Mullaney

Kevin Mullaney
160 Jewell Street
Hartford CT 06105

70 Natick Street
Hartford, CT 06106
April 1, 1991

The Honorable Christopher J. Dodd
100 Great Meadow Road
Wethersfield, CT 06109

Dear Senator Dodd:

Please vote to reauthorize the Higher Education Act of 1965. If it would not have been for this fund, I would not have taken the initiative to even think about attending school. This fund represented a chance for me to further my business knowledge and to find the career I have been searching for.

Hartford Secretarial School has offered me the opportunity to take advantage of all that America has to offer. With its courses and teachers, it has shortened the time needed to enter the business world. The classes are smaller so the teacher can give extra attention and time to each student if needed. Because the classes are smaller, this also gives the student an opportunity to get to know the teacher, which in turn, makes the student comfortable in talking with her about things he or she might not have ever mentioned to anyone else.

One particular teacher has worked with me day in and day out helping me correct problems that went unnoticed by so many teachers in the public school system. I know I would have never received this attention in a public school, basically because of the overwhelming amount of students each teacher has to deal with.

Again, please do not discontinue this most important fund for private schools. I do not plan to stop bettering and educating myself for as long as I know that the government is willing to help me take advantage of my youth and ambition.

Respectfully,

Scheland Ortiz

Scheland Ortiz

115 Nutmeg Lane
East, Hartford, CT 06118
March 28, 1991

The Honorable Christopher J. Dodd
United States Senator
100 Great Meadow Road
Wethersfield, Ct 06109

Dear Senator Dodd:

I am writing in reference to the Higher Education Act of 1965. Opportunities can make a difference in a person's life. Without financial aid many people will be denied their opportunity to live and grow.

I presently attend the Hartford Secretarial School and find that it meets my needs. I also feel that the training I am receiving is preparing me for the work force in the area. For those of us who are of middle age, a four-year school is just not possible. In the world of today, many people must work through their senior year. Graduate students of business and technical schools represent 70 percent of the work force, most of whom probably received financial during the course of their studies.

I am anticipating your cooperation in this matter.

Sincerely,

Evelyn Johnson

Evelyn Johnson
Hartford Secretarial School

257 Costwold Street
Hartford, CT 06106
March 28, 1991

The Honorable Christopher J. Dodd
United States Senator
100 Great Meadow Road
Wethersfield, CT 06109

Dear Senator Dodd:

I am writing in reference to the Higher Education Act of 1965. Right now I am a student at the Hartford Secretarial School. It is located at 765 Asylum Avenue in Hartford. I am a student on financial aid and are most of the students in the school. If you cut out financial aid, there will be less people attending school. Most of the working people today went to a business school like the Hartford Secretarial School. Seventy percent of the working people today attended a business school.

The Hartford Secretarial School is giving me the skills that I need to go out into the world to get a job. I don't think it is right for you to chose what school I should go to. If you take the away financial aid, you are doing just that. I thought this was America, the Land of the Free. You should remember that, or did someone chose a school for you?

Sincerely yours,

Sherri Fernandez
Hartford Secretarial School

27 Ellsworth St.
Hartford CT 06114
March 28, 1991

The Honorable Christopher J. Dodd
United States Senator
100 Great Meadow Road
Wethersfield, CT 06109

Dear Senator Dodd:

I am writing you this letter concerning the Higher Education Act of 1965. I think it is unfair for you to decide what school we should attend. Everyone has the right to choose what school he or she should attend.

As a student attending the Hartford Secretarial School, I am very concerned because of the financial aid situation. Almost all of the students need financial aid. Without financial aid for schools like ours, a lot of people will be denied obtaining a higher form of education and choice of schools would be limited.

Graduates of business and secretarial schools make up 70 percent of the work force in the area. Attending these schools helps students to acquire adequate skills in a few months, while at state schools it take years to acquire skills.

I am anticipating your cooperation in this matter.

Sincerely yours,

Jean A Richards

Jean Richards, Student
Hartford Secretarial School

One Irvin Street
Hartford, CT 06112
March 28, 1991

The Honorable Christopher J. Dodd
United States Senator
100 Great Meadow Road
Wethersfield, CT 06109

Dear Senator Dodd:

I am writing in reference to the Higher Education Act of 1965. I am a student at the Hartford Secretarial School, and I am concerned about the financial aid that most students rely on. If financial aid is denied, most students from high schools would not have a chance to attend a business school or the college of their choice. We depend on the financial aid to help us.

Attending Hartford Secretarial School has helped me to become a better skilled person in just five months, which is very hard to do in a state school. Business schools like ours represent 70 percent of the work force in this area.

Please give this matter your consideration.

Thank you.

Sincerely,

Lytonia Mahone

Lytonia Mahone
Hartford Secretarial School

157 Sheldon Street, Apt.B
Hartford, CT
March 28, 1991

The Honorable Christopher J. Dodd
United States Senator
100 Great Meadow Road
Wethersfield, CT 06109

Dear Senator Dodd:

I am writing in reference to the Higher Education Act of 1965. There is a desperate need for schools like the one that I am currently attending. The Hartford Secretarial School is located in the Asylum Hill area. This particular school and others like it meet the demands for students such as me.

It would be a tremendous loss to the community if we were to lose financial aid if the budget is cut. Doing so would eliminate the opportunity for students to attend schools such as Hartford Secretarial and other business and secretarial schools that make up about 70 percent of the work force in the area.

Elimination of this budget would mean that we would have to attend other colleges and universities that would require us to attend for four years. In essence this means that it would take a longer time for people to come back to the work force.

Thank you for your cooperation in this matter, which is also a great concern for our youth as well as for our present students.

Sincerely,

Pamela Peay

Pamela Peay
Hartford Secretarial School Student

One Boxwood Circle
Bloomfield, CT 06002
March 28, 1991

The Honorable Christopher J. Dodd
United States Senator
100 Great Meadow Road
Wethersfield, CT 06109

Dear Senator Dodd:

I am writing concerning the Higher Education Act of 1965. I am very concerned about what is to become of financial aid. Also, what will become of students who wish to attend business and secretarial school such as Hartford Secretarial school.

As you may know, there are many people that want to further their education but money is a problem in most cases. Therefore, they turned to help of financial aid in order to obtain an education and proceed to get the career they desire. If financial aid were to be taken away from the individuals that may need it, a numerous amount of people will not have jobs.

Hartford Secretarial school offers students the opportunity to get a career without attending a four-year college. In many cases students cannot attend four-year colleges because of money, their children, or personal matters. This school offers smaller classes that help concentrate more on the individual. These schools are really needed and appreciated in the community.

Business schools like ours provide 70 percent of the work force, so it would be appreciated if the matter were taken in consideration.

Sincerely,

Monique Skyers

Monique Skyers
ABA Student
Hartford Secretarial School

6 (i)

5 Hartwell Road
West Hartford, CT 06117
March 28, 1991

The Honorable Christopher J. Dodd
United States Senator
100 Great Meadow Road
Wethersfield, CT 06109

Dear Senator Dodd:

I am writing in reference to the Higher Education Act of 1965. If financial aid is denied to the majority of us at the Hartford Secretarial School, Inc. and other schools like ours, higher education and marketable job skills would be inaccessible to us.

This school provides us with an excellent education that will enable us to secure positions in business, industry, and medicine within a relatively short period of time. It will allow us to support ourselves and our families and, therefore, prevent us from being a burden on the "system" itself.

We are very concerned with this issue and encourage you to speak on our behalf in reference to the denial of financial aid to institutions such as ours.

Thank you.

Sincerely,

Elizabeth Hendrickson

Elizabeth Hendrickson
AMA Student
Hartford Secretarial School, Inc.

March 28, 1991

The Honorable Christopher J. Dodd
United States Senator
100 Great Meadow Road
Wethersfield, CT 06119

Dear Senator Dodd:

I am writing this letter to ask you to please consider voting for the reauthorization of the Higher Education Act of 1965.

Financial aid has given so many people the chance to further their education. Hundreds of students have had the chance to lead productive lives using the high level of skills acquired at schools such as Hartford Secretarial School. These people have built successful careers for themselves with the help of schools and colleges with excellent training facilities.

Many of these people grew up on a low income level. With the cost of education as high as it is today, it would have been impossible for them to attend private institutions like these had it not been for the help of financial aid from the government.

I believe that students should have an opportunity to go to whatever school they wish. Some people cannot afford to go to college for four years, or maybe they just want to take a course that will get them marketable skills so that they can get employment when they finish. So they go to technical schools for one or two years instead of taking a four-year course at a university. I believe that students should have this choice.

Financial aid is responsible for the fact that people with a low income have been able to improve their standard of living. Without financial aid, only the rich can afford to get a decent education. I think this is extremely unfair. Financial aid gives everyone an equal chance to achieve his or her goals in life.

Please consider what I have said. Thank you for taking the time out of your busy schedule to read my letter.

Respectfully yours

Joan O Donoghue

Joan O Donoghue
24 Vincent Street
West Hartford, CT 06119

March 28, 1991

The Honorable Senator Christopher J. Dodd
100 Great Meadow Road
Wethersfield, CT 06109

Dear Senator Dodd:

I have just found out that Title IV is being threatened again. This really makes me feel badly for future students who would like to attend a business school, because the funds will not be there.

I am a student of the Hartford Secretarial School. This was the best choice for me, because I would not have been able to go to collage for four years and still work and raise my family.

If there was no federal student finacial aid for me when I started at Hartford Secretarial School, I wouldn't have the opportunity now to get a good position. Office employees represent 70 percent of the work force today. That figure will drop drastically if the government unfairly awards money only to people who want to attend four year collages.

Thank you for your time and understanding in this matter.

Cordially,

Tracy Scott

Tracy Scott
17 Willard Street
Hartford, CT 06105

42-924 0 - 91 - 20

Senator DODD. Thank you all very, very much. [Applause.]
The subcommittee will stand adjourned.
[Whereupon, at 12:50 p.m., the subcommittee was adjourned.]

ACCESS AND CHOICE—ISSUES IN HIGHER EDUCATION

WEDNESDAY, APRIL 3, 1991

U.S. SENATE,
SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES, OF THE
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Mystic, CT.

The subcommittee met, pursuant to notice, at 10 a.m., at the Mystic Hilton Hotel, Mystic, CT, Senator Christopher J. Dodd presiding.

Present: Senator Dodd.

OPENING STATEMENT OF SENATOR DODD

Senator DODD. The subcommittee will come to order.

Let me thank everyone here this morning for being present for our second in a series of forums and hearings on higher education. I am particularly pleased to be able to hold these hearings in Connecticut during this recess week. We had a very informative session yesterday morning at the University of Hartford with a number of our leading college administrators.

We are pleased to be able to hold the second session here in Mystic and to be doing so in the midst of a joint conference between the New England Board of Higher Education and the New England Association of Educational Opportunities' program personnel.

I want to thank Jack Hoy in advance, who is president of the New England Board of Higher Education, as most of you know, for assisting us and making it possible for us to hold this hearing here. I thought it would make a lot of sense to conduct this hearing and to listen to testimony from people in Connecticut, while having present with us people from throughout the New England region on these issues.

As you know, most of you in this room are well aware, once every 5 years since 1965, the Congress is responsible for reauthorizing the Higher Education Act, and this year we are charged with that responsibility.

Senator Pell of Rhode Island, who many of you in this room know, is the Chairman of the Subcommittee on Education, Arts and Humanities. I have the privilege of serving on that subcommittee with him and have been actively involved, as we have gone through a series of hearings this spring, examining the higher education programs, with particular emphasis, of course, on financial aid and what it means to families.

So, this morning I feel fortunate that we are able to have many of you from the New England region present whom we might not otherwise be able to hear from. Obviously, we have got some serious economic problems in the region, and those of you who are from Connecticut know how sharp those problems are, with the announcement by the governor the day before yesterday, of some 2,600 layoffs of State employees.

I was at the University of Connecticut yesterday in the afternoon, after the hearing in Hartford in the morning, meeting with several deans who are dealing with a number of programs they are starting up there, particularly in the business school area, as well as President Hartley and a group of about 300 students, and the pink slips that were received I guess by some 300 members of the faculties, administration and support staff and others at the University of Connecticut, is a crushing blow.

I am very hopeful, I would tell you very candidly, that those pink slips will not be needed, that the governor has between now and July to try and work something out with the State employee unions, and I hope that happens and I am confident it will. I cannot believe that we would go a layoff route, when there are other ways of achieving savings, without having to cause people to lose their jobs.

At any rate, education obviously plays a pivotal role in all of this. It is not a separate subject matter. As I was explaining to some reporters this morning before coming into this room, this is a direct investment. We know this from clear experience. At the end of World War II, with the GI Bill, there was a cost associated with that legislation which the taxpayers of this country paid for, and it was not inexpensive.

In 1949, we committed about 9 percent of the budget of the United States to higher education. Today, it is about 3 percent in this country, arguably at a time when higher education is far more important in terms of people's personal economic circumstances, not to mention the needs of this Nation, as we close out the 20th Century, where we now know that less than 1 percent of the jobs by the mid-1990's will be available for people with less than a high school degree.

The importance for people individually to be able to have greater earning capacity, the needs of business and industry in this country, and the needs of this Nation as a whole are directly linked with our ability to be able to provide a higher educational opportunity for people. It is said so often politically, but it has become so axiomatic that education ought to be something that is based on a person's ability, their motivation, their determination, rather than the size of their parents' or their own bank accounts.

That is something I think we have all prided ourselves in over the years, that, by and large, we have tried to make an effort for people to be able to get an education, at least an undergraduate degree, without crippling them financially.

Yesterday, we heard testimony from students, and we will this morning, from people who are incurring incredible financial debts by the time they are 21 or 22 years old, not to mention the nontraditional student who is coming back into a higher education environment and trying to manage families, maintain home mortgages

or rents, in addition to other payments, as well as the cost of higher education.

So, I am preaching to the choir, in a sense, here this morning, with those of you who are involved in these issues, but I want you to know that I intend to pursue them. I have introduced legislation to try and come back and lift some of these caps and to come up with what I believe to be a more rational program, in terms of dealing with the ability of families to pay, where we have used home equity and farm equity and a variety of other things to determine the ability of families to financially afford a higher education, and to see if we cannot get back to some sense of reality, where an awful lot of middle-income children in families can also once again participate in these programs.

The idea that you set caps at $10,000 on family earnings, even though we increased the funding of some $400 million for Pell grants, for instance, we are told by knowledgeable people that we could, as a result of those caps, exclude some 400,000 students from receiving that kind of financial assistance. To talk about $10,000, I realize there are people in that category, but, quite frankly, for most of New England, that is just a ridiculous number. $15,000 was a ridiculous number, and we are just adversely affecting an awful lot of people and harming this country.

At any rate, I welcome all of you here this morning. Again, I would like to thank the New England Board of Higher Education and the New England Association of Educational Opportunities for helping make today's hearing possible and meaningful.

Today, the Subcommittee on Education, Arts and Humanities begins, as I said earlier, the second field hearings in Connecticut on issues related to access and choice in higher education. As a member of the subcommittee, I intend to use the testimony presented here this morning and at yesterday's hearing to represent the interests of not only Connecticut's students, but I hope will reflect, as well, the New England higher educational community's feelings, as we deal with this year's reauthorization of the Higher Education Act.

Every 5 years, as I mentioned earlier, the Congress has the responsibility to review the laws governing Federal higher education programs, to reexamine and reevaluate the Nation's higher education needs, goals and the Federal Government's role in fulfilling those needs.

This year, the Congress will give careful consideration to student aid programs, the diminished Federal commitment to helping low- and middle-income families afford the costs of higher education, as well as the problems of retention, deteriorating facilities, and the need to increase participation of under-represented groups in higher education.

In 1965, when the Congress first passed the Higher Education Act, its purpose was to make postsecondary education opportunities more accessible to every student, regardless of income, gender or ethnicity. We had some success in this regard, with increasing enrollments in the decades following the GI Bill in 1945 and the original Higher Education Act. However, the 1980's and, indeed, the 1990's have been marked by stagnation in enrollments and declin-

ing access, I believe due in large part to the increasing economic burden of the cost of higher education.

Since 1981, families have watched tuition costs climb by as much as 59 percent, and they have also seen the Federal share of available aid drop from 83 to 75 percent. By the way, that 59 percent, in some institutions it is in excess of 100 percent in the last 10 years. That 59 or 60 percent is for the last 5 years, for the number of institutions.

Moreover, since the mid-1970's, the percent of Federal aid to students in the form of grants has dropped drastically, from some 76 percent to 29 percent, as loans have replaced grants as the major source of student aid.

Rising tuition costs, high loan default costs, and the tightening of Pell grant and Stafford student loan eligibility requirements are making it harder and harder, if not impossible, for many families to afford higher education costs. Even if a student qualifies, given the shift in Federal assistance from grants to loans, students often owe as much as $10,000 to $50,000 upon graduation from college.

Connecticut, in a region known for its high cost of living and inflated real estate values, is especially hard hit by this decline in Federal assistance, and I presume the same could be said throughout the New England States.

The inclusion of nonliquid assets, such as homes and businesses, in the calculation of need has compounded the problem for students and families in this State and elsewhere. Low- and middle-income families alike are expected to borrow against their home to meet their expected family contribution, when over the past 20 years many families have seen the value of their homes dramatically outstrip the increases in their salaries or incomes. Because of the value of these assets, they have been less eligible for assistance and ultimately squeezed out of the Pell grant and Stafford Loan programs.

Simply put, the decline in Federal aid has led to diminished access and choice in higher education for low- and middle-income students. As the Congress works this year to reauthorize the laws governing the Federal student loan and grant programs, I intend to be on the forefront of the effort to protect and maintain the integrity of the Federal aid programs.

I will work to restore the purchasing power of the Pell grants, and I will help to ensure that the criteria for Federal assistance will be fair and equitable for all families in need of such aid. Postsecondary education opportunities should be accessible to all Americans, not just to those who can afford them.

There are a lot of data which I have already shared with some of you. I mentioned the flop and switch from grants to loans in the last 10 years, but we have also seen the funding for the college work-study programs fall by over 32 percent, the Perkin Loans Program Funding has dropped by in excess of 67 percent, SSIG, a drop in excess of 48 percent, all in the last decade.

One of the things that is disturbing me very much—I have those statistics here, I thought I remembered them, but just the minority access to college enrollment, it steadily increased from 1980 to 1988 from 16.1 percent to 18.4 percent, but the absolute number of minority students in higher education grew by 23 percent between

1980 and 1988. But when you start to break out those numbers, there are some alarming statistics within that category, and I think it is important to note them for you here.

Asian-American enrollment is up by 74 percent in that 8-year period in this country; Hispanic enrollment is up by 44 percent, but, tragically, Afro-American or black enrollment grew by only 2 percent in the country. I do not know exactly, but I have got some feelings about why it is, that these rising financial aid problems and the word-of-mouth spreading about what you end up owing at the end of this process, I have a feeling is discouraging an awful lot of people from even participating or applying who would otherwise qualify.

I am also deeply concerned about what we are not doing in our secondary schools, and I am anxious to hear this morning from some of you on this particular score. My guess is that, with local budgets being cut, as they are, across the country for local education, one of the first things to go are guidance counselors in higher education advising children about their educational opportunities.

In some testimony we had a couple of weeks ago, we had over 500 students in the United States Student Association testifying in Washington before Bill Ford and I in the Senate—he is, of course, the Chairman of the Education and Labor Committee of the House and has been active, for those of you who follow education issues, Bill Ford has been at it for some almost three decades on these questions—but I was stunned to find that in many high schools, there were one or two counselors for 400, 500 or 600 students, and I suspect that what happens is that these counselors seek out the stars, the academic stars, the ones who are clearly going to be able to qualify for aid, where a lot of other students who may not have blossomed yet, who would qualify, who are good kids, talented, who we should be going after, are being missed in some way in this process. An awful lot of young people who would qualify for these programs are just not stepping forward.

So, in addition to the cuts and the different problems we are facing with the change from grants to loans and the caps and so forth, I also think an awful lot of people who would qualify even under those programs are being missed. So, I am disturbed about that and anxious to hear your comments.

Last is the complexity of these financial aid forms. I hear this all the time from people, and I try to be understanding, because I am not an expert in these things, and the temptation to point an accusing finger at some faceless bureaucrat in Washington who is writing these forms up is tempting, but they have a job to do, and their responsibility is to make sure that people who receive this assistance qualify for it, otherwise they are going to get it in the teeth from some congressional panel who accuses them of having people slip through the cracks and should not be receiving this assistance.

So, a lot of the questions on there are sort of dumb-founding to me, as I look at them, and the duplication that is required in all of these, it seems to me, could be simplified in some way, to make it easier for financial aid officers and others to process these people who clearly qualify for the assistance.

So, those are some of the subjects I am anxious to hear addressed this morning, as well as the impact. I am very interested in hearing about the impact. I think we all know the data. I know we all know how much has been cut, but what is the impact on your institution, what is the impact on you or your peers and students, how is it affecting your institution, who is applying at your institutions, who are you missing, in your view.

I would like to know how it is affecting your institutions here in this State, rather than sort of a recitation of the percentages that I think we all are fairly familiar with. But I am more interested in how it is affecting us, what is the impact on a State like this, on the Nation, and your views and opinions.

With that, let me introduce our first panel, who is already seated here before us. Jack Hoy, I have already made reference to, of course, is the president of the New England Board of Higher Education, and we deeply appreciate Jack's presence here.

Claire Gaudiani was going to be with us this morning, the president of Connecticut College, and could not be with us, but in her place is Elaine Solinga, who is a financial aid officer, and Arthur Ferrari, who is advisor for minority student summer advancement programs; Louis Melendez, who is president of the Connecticut Association of Latin Americans in Higher Education; and Vincent Maiocco, who is president of the Connecticut Student Loan Foundation, is our panel here this morning.

I thank all of you for being with us. Jack, we will begin with you, and I will ask you all to testify in the order that I have introduced you.

Let me make a couple of points here: Let us try and keep this relatively brief, and that every word you have, every data and piece of information that you think I should have, I promise you will be included in the record in full. But if you would submit that, instead of necessarily going through it all, it would be helpful to move along the hearing this morning, to get to our second panel.

I know there are some students here who are very interested in testifying, and if we get through this quickly enough, I will ask you to share some of your comments and views with us.

So, it will largely depend on how well we move along here. but for those who do not get a chance to testify, if you have comments you want to make, if you will get them to me, I will leave the record open for 2 weeks, to make sure that anybody in this room who would like to add some thoughts and comments on the Higher Education Act, including those of you who are not from Connecticut, we will make an exception and I will ask Senator Pell and Senator Kennedy and others to pay the bill when it comes in. [Laughter.]

Jack, thank you for being with us this morning.

STATEMENTS OF JACK C. HOY, PRESIDENT, NEW ENGLAND BOARD OF HIGHER EDUCATION; ARTHUR FERRARI, ADVISOR, MINORITY STUDENT SUMMER ADVANCEMENT, CONNECTICUT COLLEGE; ELAINE SOLINGA, FINANCIAL AID OFFICER, CONNECTICUT COLLEGE; VINCENT MAIOCCO, PRESIDENT, CONNECTICUT STUDENT LOAN FOUNDATION; AND LOUIS MELENDEZ, PRESIDENT, CONNECTICUT ASSOCIATION OF LATIN AMERICANS FOR HIGHER EDUCATION

Mr. HOY. Senator, it is a pleasure to be with you, and I want to thank Joan Kimball for all of her effort in helping this hearing come together with this conference. As you know, I have followed your career from the House and into the Senate, and do want to say in introductory comments that your work with respect to children and families does not go unnoticed, as we begin this hearing.

I am sort of data oriented, and I have submitted a variety of things to Joan for the record, but I do want to begin with a couple of points that are related to some hard facts here in New England.

During the last 5 years, we have seen a 57 percent expansion in the dollars allocated to the Pell grant program nationally. In New England, we have only seen a 10.8 percent increase in Pell grant dollars. In terms of recipients, that 10.8 percent pretty rapidly translates in not being able to keep up under current regulations with the costs of higher education, about which you have been consistently concerned.

For example, in the State of Connecticut, over the 5-year period, there is 16 percent fewer Pell grant recipients in the public colleges and universities of the State, and 13 percent fewer in the private colleges and universities in the State. New England-wide, there are 15 percent fewer Pell grant recipients in public campuses, and 17 percent fewer in private campuses.

On the other hand, we have seen during the same time frame—let me use just 2 years, to illustrate this—in the Nation, we have seen over the last 2 years a 5 percent increase in the Stafford Loans borrowed by the American people. In New England, we have seen a 39 percent increase in Stafford loan dollars. In the parent loan category in the Nation, the increase was 61 percent, in New England 140 percent, and in the supplemental loan category, which comes I think closer in part to some of the concerns you expressed earlier, we saw a decline nationally of 13 percent, and an increase in utilization in New England of 341 percent.

Senator DODD. What was that?

Mr. HOY. 341 percent increase in the supplemental loan borrowing in New England, and a decline nationally of 13 percent over the past 2 years.

Now, this are a lot of numbers, but let me take one step further on this. New Englanders borrow more for their higher education under the Federal programs than do students elsewhere in the United States. They pay back those loans, indeed, we have the lowest default rate of any region in America. They borrow more money and they pay it back on time, and there is a system within this State and within New England where I think the loan counseling efforts have been superb and we really have been reducing the low default rate that we had to lower level.

However, we have experienced, in addition, in the course of this very prosperous New England decade until 1990, an escalation of our public and our private college tuitions, we have gone up faster and higher than tuitions anywhere else in the country. The bind in the region is very, very real.

It was a prosperous decade. It is now a very unprosperous scene.

The credit crunch that I think is upon us and is another area that I know you are working very hard on, is very real for middle-income families, and I think that the President's goal of expanding the maximum under the Pell grant system is very important. At the same time, to do so at the expense of the guaranteed student loan programs and various elements of that I think would be tragic, and it would be particularly tragic within this region.

One of the other points that I think it is very important for New Englanders to be above-board about is we are the most lily-white region of America. In proportion of minority population, black, Hispanic, Southeast Asian, this section of the country in its prosperity—and here I am directing my comment toward New England State government—in the midst of that prosperity and rising public revenues, we actually have been seeing a decline in the overall allocation of State dollars to State scholarship programs, and I think, unfortunately, those programs are under the gun in each New England State right now, so that making up the difference has not been accomplished.

What is fascinating to me, in addition, is that the U.S. Census that has been released in recent weeks indicates that the population of Hispanic and Latino citizens in New England has doubled between 1980 and 1990, the population of Asian-Americans has tripled between 1980 and 1990, and the black population of the region has gone up from 474,000 individuals to 627,000.

In New England, black and Hispanic people do not have the economic advantages that have been the pattern of this predominantly most-white society during the decade of prosperity.

I will not prolong my comments, Senator, in terms of the solutions to this issue. I do not think that those 450 pages that now are the Higher Education Act of the United States ought to intimidate us in trying to look beyond patchwork in redeveloping this system. As I understand it, the Congress, in its wisdom, is going to take some time on this one, and the hope is that perhaps in 1992, we will recreate that Act, not losing any sense of its full intention, but recreate it with the kind of vision that will bring us into the next century with the kind of imagination that, in fact, was displayed in 1965. I think it is time that we do so.

As you have very rightly pointed out, this Nation's moral and intellectual and economic health, in terms of the world community, hinges upon the quality of the education of the people of this country. We have been slipping on every imaginable score, and I think we are at a point now where it is the obligation of the Congress to take a very fresh look at how we solve this problem over the longer haul.

Thank you.

[The prepared statement of Mr. Hoy (with attachments) follows:]

DRAFT

NEW ENGLAND BOARD OF HIGHER EDUCATION

DRAFT TESTIMONY OF JOHN C. HOY
PRESIDENT, NEW ENGLAND BOARD OF HIGHER EDUCATION

Hearing on the Reauthorization of the Higher Education Act
Wednesday, April 3, 1991
Mystic, Connecticut

As the U.S. Congress pursues Reauthorization of the 1965 Higher Education Act, a perspective on the growth and condition of student assistance programs in New England takes on particular interest. Four factors currently make the deliberations on Reauthorization of federal programs exceptionally important to students and their families, the region's colleges and universities as well as business, education and government:

I. The Regional Economic Recession

New England experienced a deep recession in 1990 and 1991. The severity of the current downturn is evidenced by several factors:

- Rapidly rising unemployment;
- Highest overall cost of living in the United States;
- Significant increase in business failures and personal bankruptcies;
- A severe credit crunch accompanying the nation's worst regional banking crisis;
- Decline in corporate profits;
- Declining corporate philanthropy;
- New England is projected to experience the slowest rate of per capita income growth among all U.S. regions.

II. Rising Tuition

Throughout the 1980s public and independent college and university tuitions rose faster and higher in New England than they did in other regions of the United States. The costs of higher education have risen faster than any other sector with the exception of health care costs. Some relevant facts follow:

- New England public and independent institutions have the highest average levels of tuition and fees in the United States.
- While independent institutions appear prepared to limit tuition increases to 1.5 times the rate of inflation (7 to 8 percent) in 1992, the pressure on public institutions to raise tuition is intense and may result in 1991-1992 rates running 3 to 4 times the rate of inflation or 15 to 20 percent over 1990-1991.
- Because campuses base tuition on prior year experience with inflation, considerable concern exists over the extent to which inflation pressures may emerge during academic year 1991-1992.

III. Demographic Decline

The steady 15 year trend in declining numbers of high school graduates which commenced in 1979 will continue through 1994. Beginning in 1995 the numbers of high school graduates will increase very gradually with the region reaching 1988 levels in the year 2004. The year 1988, while in itself a low year following a decade of declining graduates, revealed a one percent "uptick." Significant factors follow:

- Virtually all 265 New England campuses experienced significant expansion of part-time enrollment throughout the period of 1979-1991. In addition, a wide variety of new undergraduate and graduate programs have been initiated to respond to the needs of adult learners: those seeking to change their careers, to complete degrees, to attain graduate/professional skills or simply to expand, update and diversify their training and knowledge.
- Competition for traditional students has increased dramatically and promises to grow more intense between 1991 and 1994. However, the period from 1995 to 2003 will continue to be marked by heightened competition.
- The majority of colleges and universities in New England are 80 percent to 90 percent dependent upon tuition and fees for budgetary stability. In turn, federal and state student aid programs provide a crucial portion of the dollars necessary to sustain tuition income and, quite literally, the fiscal viability of campuses throughout the region.

III. Crisis in Confidence - State Budget Woes and Changes in Leadership

Each New England state is faced with mounting budget problems and the region at large confronts the largest per capita state deficit in the United States. Four newly elected governors and two who return to office face fiscal issues of a degree not encountered since the mid-1970s and perhaps the devastating period of 1950-1951.

- As public investment in higher education and state scholarship programs continues to be restrained or markedly reduced as evidenced for three years in Massachusetts, the intermediate and longer term stability of the region's hard-earned academic reputation will be reduced if FY 1992 cuts in funding are sustained.
- New England also confronts a loss of federal R&D funds related to the anticipated decline in the Department of Defense research budget as well as intense competition by other states and regions for Department of Defense, National Science Foundation, National Institutes of Health grants and other federal contracts.
- Rising unemployment, furloughs of state employees and education personnel cuts reflect the basis of an unprecedented decline in consumer confidence in New England. The fact that the regional recession has already been longer than the downturn affecting the U.S. economy leads analysts to believe New England must look beyond 1992 in projecting even a mild recovery.

In the face of declining confidence in the regional economy, higher education must address the task of providing a vision for the future and creating -- in the midst of acute austerity -- a renewed sense among voters and potential leaders alike of why and how the region must sustain a deep commitment to education and the training of both young people and adults.

The weak New England economy, rising tuitions and declining federal financial aid combined throw potentially insurmountable obstacles between New England students -- both traditional and adult learners -- and their educational goals. A brief review of federal financial aid to New England students over the last several years is illustrative of challenges and burdens faced by students and families in the region. (See attached New England Board of Higher Education analysis.)

Total Pell Grant Awards

- Regionally, total Pell Grant allocations in 1989-90 experienced a one year gain of 4.3 percent, while growth in the number of Pell Grant recipients was nearly flat for the same period (-0.2 percent).

- Further review of Pell Grant allocations over the past five years (1985-90) reveals a disproportionate increase in allocations to proprietary institutions -- 53.1 percent regionally, compared to 8.4 percent and 1.5 percent to public and independent institutions respectively. Proprietary institutions in Connecticut and Vermont received the largest increases in Pell Grant allocations over the five year period, 100.3 percent and 176.2 percent respectively. These figures are worthy of note given the general concern over methods and accuracy of accreditation of some proprietary institutions, as well as concern over quality and legitimacy of some institutions within the proprietary sector.

- In the same five year period while, the number of Pell Grant recipients nationally grew 18 percent, the number of New England recipients fell 8.4 percent. Comparatively larger personal income and subsequent greater expected family contributions may render more and more New Englanders ineligible for the benefits of the Pell Grant program, however, with tuition increasing in some cases by as much as 20 percent, these students and their families experience no real relief from the burden of financing a college education. The pending Bush administration proposal to reduce Pell Grant awards significantly for students from families with incomes of $20,000 to $25,000 (resulting in some cases a 40 percent reduction in the award) could further exacerbate the situation.

Total Guaranteed Student Loan Awards: 1990

- New England GSL allocations rose 21.2 percent in the one year period (1988-89 to 1989-90). The number of New Englanders borrowing through the GSL program increased 18.2 percent during that period.

- Two year gains in the number of New Englanders borrowing for college through the Guaranteed Student Loan Program are most dramatic. The number of loan recipients through the Stafford Loan Program grew 30.9 percent from 1987-88 to 1989-90. Over the same two-year period the number of borrowers through the Parent Loan for Undergraduate Students Program (PLUS) grew 105.1 percent and borrowers through the Supplemental Loans to Students Program (SLS) increased 317.2 percent. It appears that New Englanders are borrowing at a dramatically higher rate than that of the nation. Two-year increases in borrowers for these three programs nationally are 0.1 percent, 52.7 percent and -12.8 percent respectively.

Additionally, striking changes in minority populations in New England compel new initiatives from educational institutions, business and government. According to New England Board of Higher Education analysis of regional population data:

- New England's Hispanic population nearly doubled, from 299,145 in 1980 to 568,240 in 1990.
- The region's Asian-American and Pacific Islander population nearly tripled, from 81,005 in 1980 to 231,656 in 1990.
- Connecticut has the largest percentage of Hispanic citizens (6.5 percent of the total population); Maine has the smallest (0.5 percent).
- Asian-Americans now account for 2.4 percent of Massachusetts residents, up from 0.9 percent in 1980. In Vermont, Asian-Americans comprise 0.6 percent of state residents, up from 0.3 percent a decade ago.
- New England's Native American population increased from 21,597 to 32,794. Native Americans make up 0.3 percent of the region's population.
- The region's Black population grew by one-third. In 1990 there were 627,547 Blacks in New England, up from 474,549 in 1980. New England's Black population is concentrated in the southern part of the region. Blacks comprise 5.3 percent of total population in Connecticut; 5 percent in Massachusetts; and 3.9 percent in Rhode Island.

The region's increasingly diverse citizenry, reflected in these population changes must have fair access to various learning communities.

New England campuses have modestly increased their enrollment of minority students in recent years, but the number of college degrees awarded to minorities remains inadequate.

By contrast, non-resident, international students continue to earn advanced degrees in stunning numbers. Foreign students earned 641 -- or nearly 22 percent -- of the 2,933 doctorates granted by New England campuses in 1989. But Blacks earned only 52 doctorates in the same year -- 1.8 percent of total); Hispanics earned 56 (1.9 percent); Native Americans earned 9 (0.3 percent); and Asian-Americans earned 66 (2.3 percent). Non-foreign Whites received more than two-thirds of all doctorates granted in the region.

It is apparent that New England colleges and universities must do more outreach to the region's ethnic and racial minorities and a better job of explaining the rewards of a college education to them. The social and intellectual climate on New England campuses must also become more hospitable and welcoming if college students of diverse backgrounds are to succeed and thrive academically.

Rhetorically business and government leaders appear to express a sympathetic vision of the importance of learning, competence and competitive standards of excellence in education. However, resources as well as standards continue to decline. Competently educated young people remain the region's primary insurance against longer term damage to the structure of the regional economy. The question remains whether, in the face of the many challenges and obstacles confronting the New England economy and higher education today, our college-bound high school seniors, young college graduates and non-traditional adult learners may be able to find educational challenge and opportunity.

New England Board of Higher Education March, 1991

1. Total Pell Grant and Guaranteed Student Loan Program Awards: 1990

	Total Pell Grants				Total GSL			
	1989-90 Allocations*	1-Year Gain (%)	1989-90 Recipients	1-Year Gain (%)	1989-90 Allocations*	1-Year Gain (%)	1989-90 Recipients	1-Year Gain (%)
CT	$25,295	3.8	22,743	-3.6	$112,496	7.8	39,011	9.6
ME	15,096	2.5	10,650	0.3	42,059	18.2	16,444	15.3
MA	70,137	3.1	49,955	-1.6	473,738	23.8	139,307	19.7
NH	7,389	4.6	5,604	2.8	38,567	37.5	13,822	38.6
RI	14,425	15.0	11,018	12.1	42,886	17.2	14,888	16.1
VT	7,712	2.6	5,792	0.5	38,084	27.8	13,675	17.6
N.E.	140,054	4.3	105,762	-0.2	747,830	21.2	237,147	18.2
U.S.	4,768,494	7.8	3,468,546	3.9	12,344,588	-1.0	4,519,953	-4.1

	Allocations		Recipients		Allocations		Recipients	
	1988-89	1989-90	1988-89	1989-90	1988-89	1989-90	1988-89	1989-90
N.E. as % of U.S.	3.0	2.9	3.2	3.1	5.0	6.1	4.3	5.3

* Dollars in Thousands

Note: The New England states enrolled 6.2 percent of total U.S. students and 5.9 percent of undergraduate students in 1988-89.

Source: NEBHE analysis (2/91) of data from Office of Postsecondary Education, U.S. Department of Education: "Institutional Agreement and Authorization Report, Summary Statistics," 1988-89 and 1989-90 Pell Grant Programs; and Guaranteed Student Loan Programs Data Book, FY 1989 and FY 1990.

03210

2. Federal Pell Grant Allocations in New England: 1990
(dollars in thousands)

	Public		Private		Proprietary		Total	
	Total $ 1989-90	5-Yr. Gain (%)	Total $ 1989-90	5-Yr. Gain (%)	Total $ 1989-90	5-Yr. Gain (%)	Total $ 1989-90	5-Yr. Gain (%)
CT	$8,766	6.8	$5,294	2.0	$11,235	100.3	$25,295	33.1
ME	10,941	9.5	2,540	6.1	1,615	47.4	15,096	12.0
MA	34,728	10.7	29,821	.1	5,588	14.3	70,137	6.5
NH	4,170	-10.1	2,322	-16.0	897	14.2	7,389	-9.8
RI	6,452	13.4	5,574	6.5	2,399	26.5	14,425	12.6
VT	4,066	4.6	3,367	13.0	279	176.2	7,712	10.7
N.E.	69,123	8.4	48,918	1.5	22,013	53.1	140,054	10.8
U.S.	2,713,406	59.2	952,081	36.6	1,103,007	74.7	4,768,494	57.2
N.E. as % of U.S.	2.5		5.1		2.0		2.9	

Source: NEBHE analysis (2/91) of data from the Office of Postsecondary Education, U.S. Department of Education, "Institutional Agreement and Authorization Report, Summary Statistics", 1984-85 and 1989-90.

03210

3. Federal Pell Grant Recipients in New England: 1985 and 1990

	Public		Private		Proprietary		Total	
	1898-90 Recipients	5-Yr. Gain (%)	1989-90 Recipients	5-Yr. Gain(%)	1989-90 Recipients	5-Yr Gain(%)	1989-90 Recipients	5-Yr. Gain (%)
CT	7,004	-16.3	3,757	-13.0	11,982	97.1	22,743	21.2
ME	7,649	-11.0	1,777	-11.2	1,224	29.0	10,650	-8.0
MA	25,437	-15.2	20,375	-18.2	4,143	-10.4	49,955	-16.1
NH	3,081	-23.3	1,799	-30.0	724	-4.0	5,604	-24.0
RI	5,078	-11.4	4,004	-14.0	1,936	3.4	11,018	-10.1
VT	3,255	-9.0	2,371	-4.0	166	*	5,792	-4.0
N.E.	51,504	-15.0	34,083	-17.0	20,175	41.2	105,762	-8.4
U.S.	2,056,198	14.0	621,482	9.0	790,866	40.2	3,468,546	18.0
N.E. as % of U.S.	2.5		5.5		2.5		3.0	

* no proprietary recipients reported in 1984-85

Source: NEBHE analysis (2/91) of data from the Office of Postsecondary Education, U.S. Department of Education, "Institutional Agreement and Authorization Report, Summary Statistics", 1984-85 and 1989-90.

0321D

4. Guaranteed Student Loan Programs Allocations: 1990

	Stafford Loans			Parent Loans to Undergraduate Students (PLUS)			Supplemental Loans to Students (SLS)		
	1989-90 ($ in thous.)	1-Year Gain (%)	2-Year Gain (%)	1989-90 ($ in thous.)	1-Year Gain (%)	2-Year Gain (%)	1989-90 ($ in thous.)	1-Year Gain (%)	2-Year Gain (%)
CT	$97,419	5.1	33.9	$5,919	19.8	42.7	$9,157	34.9	176.6
ME	35,856	13.0	9.9	3,043	53.7	122.0	3,160	69.1	162.9
MA	354,053	17.7	49.6	25,771	53.8	209.9	93,914	43.9	405.5
NH	31,416	30.7	34.4	2,733	22.9	87.5	4,418	145.2	348.1
RI	37,419	14.6	20.6	2,078	14.8	72.5	3,389	58.5	188.2
VT	26,469	17.5	27.8	6,868	45.5	145.0	4,746	85.9	185.6
N.E.	$582,632	15.5	39.7	$46,412	43.1	140.5	$118,784	47.8	341.3
U.S.	$9,723,378	1.4	5.0	$872,186	16.9	61.3	$1,749,024	-17.7	-13.4
N.E. as % of U.S.	6.0			5.3			6.8		

Source: NEBHE analysis (2/91) of data from the Office of Postsecondary Education, U.S. Department of Education, Guaranteed Student Loan Programs Data Book, FY 1989 and 1990.

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5. Guaranteed Student Loan Program Recipients: 1990

	Stafford Loans			Parent Loans to Undergraduate Students (PLUS)			Supplemental Loans to Students (SLS)		
	1989-90 Recipients	1-Year Gain (%)	2-Year Gain (%)	1989-90 Recipients	1-Year Gain (%)	2-Year Gain (%)	1989-90 Recipients	1-Year Gain (%)	2-Year Gain (%)
CT	34,100	7.5	40.5	1,681	13.4	38.5	3,230	34.5	176.8
ME	14,348	10.4	3.3	957	51.2	107.6	1,139	80.5	179.2
MA	101,723	12.3	36.4	7,605	48.0	153.0	29,979	44.5	378.4
NH	11,355	30.3	31.4	801	22.1	46.4	1,666	176.7	406.4
RI	13,095	13.5	14.0	615	15.2	68.0	1,178	58.1	206.8
VT	9,821	12.8	22.0	2,316	21.8	89.8	1,538	51.4	110.7
N.E.	184,442	12.3	30.9	13,975	35.1	105.1	38,730	48.2	317.2
U.S.	3,624,095	-1.6	0.1	271,473	13.8	52.7	624,385	-21.3	-12.8
N.E. as % of U.S.	5.1			5.2			6.2		

Source: NEBHE analysis (2/91) of data from the Office of Postsecondary Education, U.S. Department of Education, Guaranteed Student Loan Programs Data Book, FY 1989 and 1990.

6. Federal Campus-Based Student Financial Aid Program Allocations: 1991

	College Work-Study Program		Perkins Loans*		Supplemental Educational Opportunity Grant Program	
	1990-91 Allocations	5-Year Gain (%)	1990-91 Allocations	5-Year Gain (%)	1990-91 Allocations	5-Year Gain (%)
CT	6,854	-2.0	1,507	38.2	6,067	6.7
ME	6,522	-.5	1,229	62.1	5,896	2.8
MA	33,900	-.6	6,256	-7.7	23,272	2.8
NH	4,888	-1.8	1,182	49.2	3,786	2.2
RI	4,937	-3.3	974	-3.8	4,197	3.4
VT	4,587	2.4	843	46.1	4,335	6.7
N.E.	61,688	-.9	11,991	-3.0	47,553	3.7
U.S.	596,793	1.3	133,648	-29.0	451,261	10.5
N.E. as % of U.S.	10.3		9.0		10.5	

*Previously known as "National Direct Student Loans."

Source: NEBHE analysis (3/91) of data from the Office of Postsecondary Education, U.S. Department of Education, Notification to Members of Congress, Campus-Based Programs, FY 1986 and 1990.

7. Federal Campus-Based Student Financial Aid Programs Recipients: 1991

	College Work Study		Perkins Loans*		Supplemental Educational Opportunity Grant Program	
	1990-91 Recipients	5-Year Gain (%)	1990-91 Recipients	5-Year Gain (%)	1990-91 Recipients	5-Year Gain (%)
CT	9,936	-4.1	11,428	12.0	8,426	-8.1
ME	9,453	-2.6	8,178	22.2	8,191	-11.4
MA	49,129	-2.8	30,868	-5.2	32,319	-11.4
NH	7,083	-4.0	6,405	42.0	5,256	-12.0
RI	7,155	-5.4	3,983	11.6	5,828	-11.0
VT	6,648	.2	3,377	72.0	6,018	-8.2
N.E.	89,404	-3.0	64,239	8.0	66,038	-10.7
U.S.	864,870	-0.1	753,485	-3.5	626,759	-4.8
N.E. as % of U.S.	10.3		8.5		10.5	

*Previously known as "National Direct Student Loans."

Source: NEBHE analysis (2/91) of data from the Office of Postsecondary Education, U.S. Department of Education, Notification to Members of Congress, Campus-Based Programs, FY 1986 and 1990.

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Senator DODD. Thank you very much.

Elaine or Arthur, however you want to proceed.

Mr. FERRARI. I will go first. I bring you greetings from President Gaudiani, who regrets not being able to be here today. She had a long-standing meeting with the Executive Committee of the Board of Trustees that she had to attend.

I direct the high school students' advancement program at the college, and it is directed at the kind of student you mentioned in some of your remarks earlier. We found that one of the biggest reasons that African-American and Latino and recent Asian immigrant students are not attending college at the same rate as whites is because there seems to be an intense competition from among the colleges and universities directed at an elite among these students to get them into their college or university, and we felt that there was a neglect of students who you might call third decile, fourth decile, fifth decile, the ones you mentioned before that might be being missed by the guidance counselors, among whom there may be potential to go to college.

What we have developed is a program that we feel will be effective in identifying potential among those students and helping them to get on the track toward college. We have developed relationships with high schools in New York City, several cities in Connecticut, as well as Boston, in which we bring a high school teacher from the school in the summer, along with a team of six or seven or eight 9th graders, kids who have just completed the 9th grade who are not the best students so far.

They take one course from a Connecticut College professor, designed with the teachers before the students get there, which presents college-level work, and we have discovered that these not-so-outstanding students can learn to program a computer the way a college freshman can, can learn to analyze and understand the social basis of religion the way a college freshman can, can learn coastal marine biology and how to analyze and understand Hispanic literature in the USA, and several other courses that we have been developing, and we have discovered that these not-so-outstanding 9th grade students can learn college-level economics, not necessarily at the same speed as a college freshman, but they can learn this material.

It is teaching us, and we hope it is teaching them, that they can do a lot more than they think they can. So, we think we know that the potential is there, and we think we know how to tap it. We are developing teaching techniques, using group procedures and kids working together in teams of two or more, and getting a lot of personal attention from the high school teachers who work very closely with them.

We are discovering that there are those kids out there with potential, and we think we and our program probably represents many other programs across the country. We think we are learning how to tap that potential, and we hope we will be turning around many of these kids who at that point are not so sure about going to college, do not think they can do the work, often combined with beliefs about they cannot afford it, and we hope that we are turning them around.

We have had a very successful two summers so far. We follow up for the remainder of their stay in high school, and so we think we will be providing techniques for creating more and more college-ready and college-bound students who are essentially low-income minority of one kind or another.

We have been aided in these efforts by a number of corporations and corporation foundations who have been concerned about what the quality of the labor force will be like in 10–20 years, when it is predominantly so-called minority. They see themselves as investing in the labor market of the future and also, on moral grounds, would like to do something to improve the lot of people who need help.

We have developed relationships with the AEtna Foundation, Citibank, Connecticut National Bank, General Dynamics, General Electric, Hueblein, the New York Times Company Foundation, Northeast Utilities, Pfizer, Southern New England Telecommunications, the Xerox Foundation, the Hearst Foundation, as well as the Cox Charitable Trust in Boston and the Pugh Charitable Trust in Philadelphia.

They have been doing their part to fund us and seem to be ready to keep us in business for quite some time, so that we may continue to refine techniques for identifying students who have the potential to do college work, and we think, through disseminating our findings and meeting with people who run other programs along similar lines, we think we know how to get kids ready to college, we think we know how to assist the high schools, and we may even be able to make a contribution to modifying the high schools to be more effective themselves.

What I am saying, in essence, from the Connecticut College standpoint, is that the private colleges and private corporations and foundations have been doing their bit to help create students who want to go to college and who are qualified to go to college and could go to college and get a great deal out of it and go on to contribute to society, and we need the Federal Government to do as much as it can help them financially.

Thank you.

Senator DODD. Thank you.

Ms. Solinga.

Ms. SOLINGA. Thank you for this opportunity to speak this morning.

Art Ferrari has indicated the need to help educate these youngsters coming in. Next year, they will be applying to college, and we are facing the real need of being able to fund those students. We are committed to a diverse student body, which means bringing in students from disadvantaged areas, students of color, and students from different geographical areas.

Currently, our tuition at Connecticut College is $19,900. Of that, the average student aid package is $12,000. Federal and State grants only fund 25 percent that, and we must fund 75 percent from our own resources.

In 1980, the Federal Government funded $571,000, and in 1990, $514,000. You have those statistics, and they are very real for our institution, as well. We are concerned about the level of loans we have to give our students. Right now, the class of 1991 at Connecti-

cut College will graduate with a rather low loan debt of $6,000. We cannot continue that.

We are concerned that we may force them into careers, lucrative careers to pay these debts. We understand that, with a liberal arts education, many of our students wish to go on to graduate school, where they will incur even more significant loan debt.

The students that come to Connecticut College come from New England. Some of them bring State dollars, and these States are now faced with deficit situations. Massachusetts is looking to fund its State scholarships by offering loans, instead, to these students. In Connecticut, we receive funding through the State achievement grant and also through the State scholarship program. That is in very real danger of some cutbacks.

The home equity for our families is a problem. The bulk of our students who receive aid come from the middle-income brackets. A typical case scenario is a parent who is 50, four in the family, both parents have a younger child of 14. They must access their home or a parent loan, to come up with some of their contribution, and they face the education of another child coming along.

I read your notes regarding what you have recommended, and I think that is a good step. I am concerned, with the current Federal deficit, that this legislation will be brought to bear, but we will be faced with funding those gaps of eliminating home equity or having a less impact in the formula, that we will be faced with picking up the tab for that, and we cannot do that. We need more dollars for the lower-income families, but we also need assistance for those middle-income families, as well.

Currently, we are packaging now for the 1991-92 season. Our awards went out to the freshman class, and we are receiving calls that parents just will no longer mortgage their future to pay their children's education. It is a real problem for the private institutions.

I thank you for your attention to this problem.

Senator DODD. What is your tuition? It is $19,000 now. What was it 10 years ago?

Ms. SOLINGA. $9,300.

Senator DODD. A 100 percent increase. Let me just ask you very candidly, because if I did not ask you, someone else will. You went through the age of prosperity in the 1980's. How much of that increase in tuition was sort of geared because people could afford to pay it in the 1980's, rather than reflecting actual increase in cost?

Ms. SOLINGA. My understanding, from the increase of costs in financial aid comes from tuition revenue, the cost of funding, also the physical plant, upkeep, benefits, insurance—you know the cost of insurance—that all feeds in. We do not have dollars flowing in from the State, a tremendous amount of funding. We fund our programs from our revenues from tuition and limited endowment income.

Senator DODD. I understand that. I am not focusing on you. I asked the same question yesterday of others. Everybody knows that costs go up, but as we try to do battle to get more assistance, and so forth, those of us who believe that students need this help, we are going to have those who are going to ask very tough questions.

I mean, there are very few institutions in this country whose costs have increased to that extent in a 10-year period.

Everybody has insurance costs and everybody has salaries and facilities and all sorts of other things they can make clean to as their rise in costs, but when you look at 50, 60, 70, 80, 90, a 100 percent increase, there are people who are going to say, you know, what we are doing is you just keep wanting me to come up with money to meet your rising tuition costs, but I do not see a reciprocal effort being made to keep those costs down.

I understand another part of the costs is that the schools are, in many cases, picking up, as you talked about here—I know that Hartford, for instance, Humphrey mentioned to me yesterday that they are absorbing and picking up about half of tuition for students who reside in Hartford and they are paying for that by having the more affluent student picking up that difference. They are not just swallowing it. So, there is a lot of that going on.

I would just say to all of you here—again, I presume I am telling you something you know you are going to hear, and I am going to hear it, as I try to work with this legislation, I am going to get it right in the teeth from those people who, frankly, are not terribly interested in these programs, and saying, "why don't you go back home, why don't you sit down with those administrators and tell them to do what everyone else has to do, before you come in screaming about more money out of the Federal budget for these things, that people have got to come up with better answers as to why these costs have gone up as dramatically as they have."

Ms. SOLINGA. Well, let me just give you the financial aid costs in real dollars. In 1980, we spent $697,000 of our institutional funds, and this year we are spending $4,612,000 on financial aid.

Senator DODD. Out of the endowment?

Ms. SOLINGA. No, that is tuition, it is a subsidy. Up in Gallatt, we spend $500,000 on financial aid. We do not have that money to feed off, so we are spending a tremendous amount to get this diverse study body that we desperately need.

Senator DODD. Thank you, Ms. Solinga.

Vincent.

Mr. MAIOCCO. Once again, it is a pleasure to appear before you, Senator.

My testimony this morning is probably from a little different perspective. Having been president of the student loan program for the past 25 years, I kind of represent here and am going to explain to you some of the problems involved with the program, as such, and how it is run and perhaps maybe how it can be improved.

So, in the next four to 5 minutes, I hope to explain in some detail the major concerns of the Stafford loan program on the local, as well as the national level, and several other factors that might at first seem innocuous, but when reviewed on a more in-depth scale might possibly become devastating factors in keeping the program alive.

In order for the Stafford loan program to continue as an entitlement program and remain accessible to students, there are two major concerns that must not only be considered, but understood and recognized by all parties who participate in the program, whether directly or indirectly, and they are, first, a reasonable

degree of tolerance for defaults and other related costs, and second, stability and integrity.

First, if it is the true goal of the Higher Education Act to commit the Stafford loan program to help students financially meet their academic costs, regardless of their background, regardless of their family situation, or regardless of their unproven ability to handle debt, then obviously it was assumed at that time that there would be risk involved.

It must also have been believed that the financial risk involved in promoting that philosophy would be well worth the rewards gained by those individuals who do not abuse the system and who are able and willing to return to this country, both socially and financially, more than they took from the program.

I think that you, me, the Congress and everybody else agrees that the benefits of a decent education and the delivery system to bring that fact about far outweighs the cost in making this public service program available to all members of our society.

Again, if we keep access as a major priority and it is agreed that the benefits of that exceed the cost, then surely that philosophy must be communicated to the general public. A key to communicating that idea brings me to my second point, stability and integrity.

Stability and integrity are probably the two most important factors in keeping the student loan program a viable entity. Stability relates to consistency and enhances proper communication to what is available, how and where to get it, and, most importantly, the responsibilities that it accompanies.

Stability also reassures to those entities who provide the services, such as schools, lenders, guarantors, third-party servicers, and secondary markets of the program, that the program does work and that it does indeed help students, which I firmly believe supports the integrity that the Congress intended the program to have.

Without a clear understanding of these two major concerns, the Stafford student loan program will always be criticized for excessive inefficiencies, whether real or imagined.

There are, it seems, two approaches Congress must take to strengthen the link between the guaranteed student loan program and access to education. The first should be to eliminate the barriers to access that currently exist in the program, and, second, to make substantive changes to improve the program. I feel confident that both of these can be obtained through the upcoming reauthorization bill.

My comments with respect to eliminating existing barriers has to do mainly with the complexity of complying with the myriad of statutory changes, regulations, dear colleague letters, and official interpretive opinions issued by the U.S. Department of Education. The complexity serves to alienate, rather than enhance, our relationships with borrowers, financial aid officers, and lenders.

In Connecticut alone, over the past 2 years, several lenders have ceased participation in the program, either outrightly or by selling their portfolios immediately after making their first loan, and I attribute this pullback to the following reasons:

Complex default claim payment requirements (which the guarantee agency is required to enforce, in order not to jeopardize its reimbursement from the Federal Government); also the necessity of

following rigid and mechanical collection requirements (i.e., letters and phone calls, etc., that must be made within a certain period of time, without exception or deviation; and decreasing lender yields due to the increasing administrative burden and reductions, from time to time, in the special allowance paid to lenders via Gramm-Rudman and other budget legislation. Without lender participation, the private sector that supplies the money energy that makes this program run, 100 percent access will no longer be possible.

Another area of undue complexity, which results in confusion to borrowers and lenders, are the deferment provisions. Currently, there are 19 deferment options in the program that allow deferments on payments anywhere from 6 months to 3 years, depending upon the type of deferment requested.

For example, if you have not borrowed prior to 1987 and you are a mother with pre-school age children and earning no more than $1 above the minimum wage, you are only entitled to a 1-year deferment. On the other hand, a borrower who is serving as an active member of the National Oceanic and Atmospheric Administration Corps is entitled to a 3-year deferment. If you are in a dental——

Senator DODD. When Weicker was in the Senate, he cared about that program. [Laughter.]

Mr. MAIOCCO. If you are in a dental internship, the interest that accrues during the deferment is subsidized by the Federal Government, while it is not paid if you are serving in a medical residency. These are just types of distinctions that go on and on and on.

Senator DODD. I do not want you to go on and on and on this morning, but I would like to have you give me some that go on and on and on, because those are the very kind of things that I would be very interested in exploring as to why that is the case. You understand and you know where they are. And I say this to others in the room, if you know where those things are, let me know about it. I mean these are the kinds of things we will submit to the Department of Education and we will ask them to explain why it is, and in some cases where it seems egregious.

Mr. MAIOCCO. I would be more than happy to supply that. It is all part of our national testimony also at the National College of Higher Education on loan programs.

Senator DODD. Fine. Lay it all out, with specificity. It is very important to see where it is.

Mr. MAIOCCO. Those are just two of the many.

The second barrier to access that I mentioned earlier would involve making substantive changes to the program. I certainly would strongly support increasing grant aid to lower-income students and using the student loan program only to cover the unmet need in the financial package. That was the original purpose of the bill. But to do this, as has been mentioned several times already this morning, the home equity, as well as other nonliquid assets and nonperforming assets, should have no consideration in doing needs analysis processing.

Simplify the deferment provisions and allow a practical and well-proven default collection system, probably developed by the individual guarantee agency, instead of following the current mechanical and rigid no-exception, due-diligence requirements, which in many, many cases do not even make any sense.

In order to really assure meaningful access to education for all students, the Feds need to call upon the State guarantee agencies to become more involved in all aspects of the program, especially in the licensing and control of schools with high default rates. The States have been left out of this process, and it is very important that they do become involved again.

The original bill, I believe, was designed to be administered by the States, and up until the start of the FISL program, the States did run the program and ran it remarkably well. The national default rate of the State-run programs at that time was well under the 5 percent level by today's standards, compared to the 15 to 25 percent default rate experienced by FISL.

Defaults became the major topic of conversation, when discussing student loans. Unfortunately, taxpayers could distinguish between the two programs and thought of it as one, thereby making the States share an equal part of that blame. It was unfortunate.

It was not until the reauthorization bill of 1976 that FISL was booted out and the program was given back to its original custodians, the States. Again, it was unfortunate at that time, because the law was written with so many loopholes, that it allowed national guarantors to spring up, only to create another FISL. In retrospect, however, the Feds at least had the students' interests at heart.

The Higher Education Assistance Foundation, the HEAF corporation, as you know it, is the perfect example of that abuse, again, for which the States were blamed. It created a negative effect on the integral players, the lenders, the schools, the students and, in this case, the taxpayers. It created distrust and uncertainty, and, again, the integrity of the program was questioned.

Although the Feds have stepped in to resolve this situation, the stigma it created will always leave a sour taste in the mouths of those people who have diligently tried to run their programs properly.

Competition, I believe, certainly serves the public well, especially in private industry and in private business. However, in my estimation, it has no place in public service, especially among nonprofit organizations, unless, of course, the ulterior motive is personal gain or profit, which is what the HEAF situation was all about.

I guess what I am saying here is what I recommended to the National Council of Higher Education loan programs a while back, and that is for the program to be administered by the individual States, as it was originally designed, for each to stay within its own boundaries, unless it requests help from a neighboring State or from the Federal Government.

National guarantors should be used only when under direct contract with either a State agency or the Federal Government.

I truly and firmly believe that this will bring the program back to normalcy, where everyone can get back to the business of helping deserving students receive a decent education, while keeping costs down to a reasonable level.

I thank you for your time and would be happy to answer any questions you might have.

Senator DODD. Thank you very much. I have some questions for you.

Louis.

Mr. MELENDEZ. Thank you, Senator, for this opportunity to address the committee.

I would like to make just a few brief comments, and I promise I will keep them brief, and that is not a political brief, it is a real brief.

Senator DODD. Senators should be last to be brief. It sometimes takes some of my colleagues 5 minutes to clear their throats. [Laughter.]

Mr. MELENDEZ. I would like to use my comments as a transition, perhaps, to the student panel that will be presenting next.

First of all, I am here as president of the Connecticut Association of Latin Americans in Higher Education. I am also an administrator at South Central Community College.

I would like to say a few words about myself, because I think they are germane to the issue at hand. I am a product of urban education in Connecticut. I am an alumnae of Upward Bound, which, as you know, is in large part funded out of title IV under the TRIO category. I am a graduate twice of the University of Connecticut, with a bachelor's and master's degree, and I am also an alumnae of title IV in the broader sense, financially, student financial assistance.

Unfortunately, I attended—I say unfortunately, but I was fortunate in a way that makes it difficult for me to deal with my students today on a day-to-day basis on the issue of financial aid. I was fortunate to come at a time when the Nation had made a commitment and was living up to it, in terms of low-income students, in particular, and my comments are addressing, if anything, the needs of low-income students.

I think that there is a misconception out there that somehow the country is fulfilling its commitment to the poor. It is not. I think our students today will speak to that and, like my story, I would like perhaps to speak to that a little bit.

I have enjoyed, because of Federal student assistance, an exciting and fulfilling professional career. I have worked as a director of financial aid. I have spent 7 years in financial aid, and my reason for leaving that field was the eroding ability to meet student needs, especially low-income student needs. Growing dependency on loans, which, if one translates to language that I think a low-income family can understand, it essentially says do not come to college.

So, I raise the issue on behalf of the low-income student, specifically that first-generation low-income student, that is targeted both in the TRIO category and, in large part, if not in fact in spirit, by programs such as Pell and SSIG and others, that increasing dependency on loans needs to be eliminated for that special category of students.

As you know and as you indicated, growing numbers of students attending college are available to be recruited for programs to prepare them for college come from background of first-generation to college, certainly of low-income households.

I have a recent example that I think captures my intent. I have a student at a university that recently was employed, with a family income of $10,000, both parents are handicapped, and, therefore, unable to work, physically handicapped. The student is working

two jobs. The student has been in the last 2 years more dependent on loans than ever before, and the student is very concerned of whether or not she will graduate. The student happens to be very civically oriented, serves as a peer to other students, a good person, I think.

I do not think that is an unusual situation on Connecticut college campuses. She is getting mixed messages. On the one hand, she is being encouraged to pursue her education, and, on the other, from her perspective, this massive loan debt that she is compiling. Granted, from perhaps our perspectives, several thousand dollars may not be massive debt. From that family unit's perspective, that is a horrific debt.

I think the original intent, as I recall it, was to make education affordable for all individuals that wish to pursue it. I think we have reneged on that commitment and I think we need to get the train back on track.

As you know, Connecticut has made a substantial commitment to expanding access and trying to carry its burden with respect to financial aid, and we have turned things around.

You mentioned some data with respect to African-Americans and Latino students. While recent data for Latinos is promising, keep in mind that the figures of Latinos enrolled in college is still very, very low, although the percentage of population that has recently turned to higher education appears to be very, very high.

In Connecticut, we have turned around from declining enrollment figures for African-Americans and Latino students, to rising figures, at least. Again, many, many, many of our students are students from low-income households, first-generation households, and they need our support. We cannot expect them to carry under the guise of equitable treatment an unfair loan burden that is to discourage those students.

I could tell you, and I promise I will not, many, many students that have left their higher education, due to the eroding ability of financial aid offices to address their needs.

Thank you very much.

Senator DODD. Thank you very much, Louis, for your testimony.

You mentioned two other pieces of legislation, one of which I have introduced and one which I will be introducing in a couple of weeks, that relates to the subject matter that some of you may find of interest.

The one I introduced in February is the Global Education Opportunities Act, and that is designed to improve the availability of international education instruction, to guarantee equal access to study abroad opportunities. I will not bore you with all of the statistics here, but that is a program that is not being accessed sufficiently enough by an awful lot of students in this country and a tremendous opportunity associated with it.

Leon Panetta, who chairs the Budget Committee in the House, and I have introduced that legislation, and I invite your review of it and your comments on it. It amends the Higher Education Act, and allows students eligible for student aid to use that aid to study abroad in programs. Again, the global competition and all of these other things going on, in my view, the more students we can get overseas, the better.

I find it interesting that I am the only member of the U.S. Senate who speaks a second language. That is mortifying. I do not speak it that well. It happens to be Spanish, and if you heard me speak it, I would mortify you, because I learned it in the mountains, and it would be like some kid from the United States saying things and dropping them, I suppose, or taking some kid from the Dominican Republic, where I was, and dropping them, I suppose—and I should be careful what part of the country I pick, but it will not be New England, I will say, in the hollows of West Virginia, maybe—because it is pretty rough Spanish. [Laughter.]

Nonetheless, I am just stunned by the failure of us to pay more attention to the study of languages in this country, but that is another day and another subject matter.

The other piece of legislation that I will introduce performs to the 1986 Tax Reform Act. I voted against the so-called 1986 Tax Reform Act. That was a devastating piece of legislation, and we came to feel the effects of it in our cities, and in education, as well.

I think home ownership is tremendously important, and I totally support the idea of getting some tax break for the interest you pay on mortgages. I have never been convinced that anyone could make a sufficient argument to me that home ownership was more important than education, and yet we treat education very differently than home ownership.

Among other things, I discovered the other day that we tax scholarships. I did not realize that. Now, you talk about some mind-boggling ideas. I do not know who came up with that one, but here you are providing an educational opportunity for a child and then forcing them to go to work to pay the tax on it seems to me somewhat inconsistent.

Anyway, we are going to be putting that in. In 1986, in fact, I tried to restore the IRA's, the individual retirement accounts for education and the home ownership for the first-time homebuyer use, and I failed with an amendment on the floor by one vote in the Senate to reinstate the IRA's. But Senator Bentsen has reintroduced legislation that I am a strong cosponsor of.

People used to think Americans were genetically incapable of savings, that somehow we just could not do it, and we have proved with four or 5 years that Americans saved something like $290 billion when IRA's were in place. It was new savings, too. It was not shifting savings around. So, some of these things we hope will begin to make some difference.

Let me address some questions to you, if I could. One I would like to get all of your comment on, is an idea that has been kicking around. It is not a new one, but I would be interested in your comments, and that is the idea that we take the banks out of this whole process. I am exaggerating the case here, but, obviously, it is the basic notion. Why not do the loan programs directly with the institutions and let you handle, administering and managing the program, and save whatever dollars we can save by removing one party from this process.

I realize that the cost of administration in some cases may exceed the savings you would make by excluding the banks directly from the participation, but you have mentioned already that some banks are getting out of the process altogether. Tell me quickly

what you think of the—I realize that you want to look at this a little bit more carefully, but it is out there and being discussed, and I would be interested in your initial reaction to the concept. Should we explore it further? Is it worth looking at, or is it a silly idea?

Mr. MAIOCCO. I am happy to be the first to respond in this regard. I would say no way. This has been tried before.

Senator DODD. Be subtle about it, then. [Laughter.]

Mr. MAIOCCO. After 25 years, it is very difficult.

Incidentally, a little bit of self-trivia, tomorrow I start my 26th year in this program.

Senator DODD. Congratulations.

Mr. MAIOCCO. I was the first employee. I was hired as its president, and, hopefully, I will be its president tomorrow.

But the thought or the idea of taking the private sector that supplies the money and energy—and as I mentioned in my testimony, that is what makes the program run—that idea has come up many, many times in the past, going back maybe even as far as 1966-67. At that time, it was called the Zachariah Report, and what was being proposed at that time was to set up a Federal bank and they would issue the funds from that area, and, of course, the Feds would be the guarantor.

That did not get anywhere. In fact, it was kicked out, I guess. The second time it came around was when FISL came into the picture. FISL, I think back in the late 1960's and early 1970's, decided that they were going to get into the program and try to run it nationally. They ended up with an administrative program for 25 States, and the other 25 were being run by the State-run programs.

Again, as I mentioned in my testimony, they faltered so badly, it became a total fiasco. The default rates were way up into the high numbers, 25 to 30, even in some cases 50 percent, and it did not work.

Then I guess they decided that maybe we will go back to the old national direct student loan program, which I guess you call the Perkins loan program today. When they went back and they started to audit the books of all the schools that were in that program—and they have got a forgiveness in that bill, as well—they found that the recordkeeping and everything was horrendous.

I mean, you are trying to take a school obviously trying to do a good job, but they were not installment lenders. This is kind of a procedure that needed to be done with people who were more into finance, had background with finance, especially installment lending. It was as tremendous task for these schools. I do not blame them for doing such a poor job in those early years, but it was a very tremendous task, something that they could not handle.

The other part of it is they only put up 10 percent of the money. If you go back now with what Bush proposed, you would have to give the schools all of the money, which means they are going to have to come up with $7 to $10 billion a year to fund this, which is totally impossible. The administration of it would be totally impossible, because now they are going to have to audit every school in the country, and there are some 20,000, I guess, and that includes your proprietaries, your profit-making schools, and all of those, because you cannot leave them out, they are as much a part of the program as anyone else.

So, you are going to let these people, which I guess are responsible for some of the problems in the default area of student loans, I think you are going to create another monster. The best way to run the program is to give it back to the States.

Senator DODD. I might come back in a second to that. Let me see if we have any more comments on this one. Any disagreement with that?

Ms. SOLINGA. I just want to comment. We do our own collections for the Perkins loans, and our default rate is 1 percent. That is the nature, in part, of the students we serve. What happens to those institutions who serve low-income students who take on the collection efforts? These students may leave and come back. I think the complexities of all of these deferments play very heavily, and the school could be in jeopardy through these collection aspects.

I hear from many, many students, if you could stop the selling of these student loans to secondary markets. I have a student who has three loans at three different agencies. Right there, you have a problem with default, confusing billing, the student does ont know if all the checks have been sent to the appropriate agency. It is too confusing, and that needs to be addressed.

Senator DODD. That was raised yesterday, too, and that is an interesting point.

Anyone else? Jack, any comment on this?

Mr. HOY. Senator, I think you would find where such programs have been successful, they are in the hands of most exceptionally well-endowed institutions in New England. Harvard does this and Yale does this. They have the administrative staff in place to really generate a program.

On the other hand, if one turned, I think it is fair to say, to Middlesex Community College or Roxbury Community College or some of the very under-endowed independent colleges and universities, and you would create a very heavy, new administrative-bureaucratic system that, over the long haul, would be as efficient.

Senator DODD. All right. Jack, let me turn to you again, quickly. You pointed out that New England is borrowing at incredibly high rates, as compared to other parts of the country, and I wonder what you attribute this to. Is the inclusion of home and farm equity contributing to it?

Mr. HOY. This is a very important issue, and no one knows, given the exponential increase in the region, of the use of home equity loans. We have no way of knowing the degree to which those dollars went to finance education. There is no system that will record them. On the positive side——

Senator DODD. I do not understand that. What do you mean? With all the data forms we ask people to fill out, we do not inquire as to how they are funding the education of their children?

Mr. HOY. In general surveys, we do. But to really get an assessment as to the increasing utilization of the home equity loan and whether it actually went to pay tuition, although on the form it might have said tuition, new car, summer home, what you will, we do not have hard figures.

One thing that does explain, in part, the willingness to borrow in New England is that, in every national survey of public opinion, New Englanders lead the Nation in willingness to support Federal

and State aid programs and willingness to borrow to get education. It is a very educationally conscious region and economy, so part of it is explained there.

I also think that, in a period of prosperity—and here we made some real mistakes—New Englanders thought there was no end to what we were experiencing in the 1980's, the lowest level of unemployment ever recorded by any region in the history of the United States, the most rapid increase in per-capita income, to the highest level in the country. And I think when it went the other way, I believe that since things have gone the other way, we are going to see a real tightening up on the willingness of people to borrow.

The other factor in here which you have brought up over the years, I would just cite today that WPI, as one institution, has halted and they are going to find it difficult, but they have halted the tuition increases. And I think as the economy settles into a more normal or maybe sub-normal period, colleges in a free market are going to have to be very, very careful of continuing to seek tuition increases at three times the inflation rate we experienced in the mid-1980's.

Senator DODD. I was going to ask that, that was one of my questions, and I will ask any of you to comment. Do you have any projections of where costs are going to go? I presume someone has sat down with it, and I do not know whether or not they want to speak to that.

Mr. HOY. Well, as I know you are aware, in the late 1970's and early 1980's, we were running under the rate of inflation and the higher education price index, so the early spurt, as the economy strengthened, was basically to make up for the losses that were incurred in the 1970's and early 1980's on the high inflation front. We made it up, but our appetite for increasing tuitions continued, and as I think we got into the bind of higher tuitions, a higher proportion of the tuition increases, as has been demonstrated, went into student financial aid.

I think there are ways in which to stem the tide on this, and certainly a number of campuses, as you have observed, are beginning to strip down the administrative structures that were built during the 1980's, and putting a higher proportion of the total expense and their total revenues into the factory and into the classroom, in contrast with the administrative functions. There has been a real shift in that regard over the last couple of years.

Senator DODD. Elaine, do you have any idea where things are going to go at Connecticut College?

Ms. SOLINGA. Well, we have increased our budget 6.9 percent for 1991-92. We have an ongoing study committee on financial aid policy, how to hold the line. Unfortunately, we are dealing with such issues right now of whether we can continue to meet full need, whether we can do this need blind missions policy, where we do not care what the family's ability to pay is. If they are qualified for admittance to Connecticut College, they will be admitted and funded appropriately.

These are very fundamental issues facing most private colleges in this State, I think, and I think that is going to be where the costs are going to be revised, perhaps, but, again, it is going to affect the students.

Senator DODD. Well, I have not seen anything yet, but I suspect you are going to have language to be offered to the authorization bill and the appropriations bills that will be a signal out there to institutions. I realize this could have a negative impact, because some of the people are going to have to cut back and they will start looking for students who can afford to go there, rather than the ones they would like to come in.

Frankly, it would help in the next coming months, and so forth, if the institutions could send some signals about what their intentions are in this area, because I can see it as a major problem.

Mr. Ferrari, I think you talked very well about your program here at Connecticut College and bringing these students. Are there other colleges and universities that are operating similar programs that are having similar experience? If you are dealing with 9 or 10 kids, to me that is perfect and that gives you a wonderful——

Mr. FERRARI. That is per high school, so we tend to run near 100.

Senator DODD. One hundred, I am sorry.

Mr. FERRARI. Yes. There are programs all over the country. Our program is similar in some ways to Upward Bound, which in many Connecticut institutions has been around for a long time. But there are a number of programs all over. Practically each State has them. States have written us asking for information. I have left one of our beginning of how to do booklet.

Senator DODD. Are they students coming from Connecticut?

Mr. FERRARI. Connecticut, New York City, and Boston.

The programs generally fall under a heading sometimes called collaboration, because it often involves work between, say, corporations and colleges and universities, and colleges and universities and high schools, and even elementary and middle schools now.

Yes, there are literally hundreds of programs around the country, and I think what we are finding is something that Elizabeth Shore touched on in her book, "Within Our Reach." We already know how to do certain things, we know how to help students who are not doing well, we know what kinds of information that the parents of students need about financial aid, about getting into academic tracks and preparing for college. We know those kinds of things, and now I think I will be gathering evidence in the next couple of years that will help to show that the potential is there and we can figure out how to tap the potential.

But one of the things we do in our program is we teach the kids and we also offer information to the parents, that one of the ways people go to college is to save, to borrow and to get scholarships and fellowships, because there is tremendous amount of ignorance among lower-income people about what is available—and I am being very careful here, ignorance of what exists, not stupidity or anything like that—they simply do not know, and I am chagrinned about it, because I come from a working class background, where we did not know anything about financial aid, either, 25–30 years ago, and I am appalled that the level of ignorance is exactly what it was in my family 25–30 years ago.

In other words, people do not even know about taking loans and about getting scholarships and fellowships. They did not know then, and they do not seem to know now. We are telling people, look, this stuff is available, this is how to prepare for college, this is

what to look for, this is what to ask for—in fact, Elaine does sessions with our students every summer—but the money has to be there.

Senator DODD. But what can we do in this legislation? I mentioned in my opening remarks that I was stunned by what appeared to me as a lack of real interface with the high school students. I think you have got to begin, not when people are in their junior year, necessarily, but beginning earlier, because you have got kids that are entering into these college prep programs and are going off in a different direction, and you have something missing.

Mr. FERRARI. That is why we start with 9th graders.

Senator DODD. That is an excellent idea. But what suggestions or ideas would you have for us to incorporate in the reauthorization of higher education?

I am not convinced, by the ways, that local communities cannot teach people and staff to be a guidance counselor. I have a hard time understanding why someone cannot wear a couple of hats. My French teacher was my football coach and soccer coach and baseball coach. You know, I am not suggesting that you wear all of those hats.

Mr. FERRARI. Well, we have classroom teachers serving as mentors for these students for the remainder of their time in high school, and we are feeding information to the students through them.

Senator DODD. Well, I would be interested in hearing how we might in this legislation do something that would require that people start dealing with these institutions earlier on, in terms of identifying those students who, as you point out, are ignorant of what is available to them. I am not suggesting that it is one more job they can perform, but it seems to me that there ought to be an effort here, there ought to be a far closer connection between these two, so that we maximize the opportunity for those potentially very good students, who may not be terrible good students, but have the capacity and could move into that area.

So, I would be interested at some point, if you do not have any ideas today, on how we do that, how we do a better job of it.

Mr. FERRARI. Off the top of my head, I would begin to explore the notion of outreach workers going to the schools, because the teachers themselves tell me they are overwhelmed with the numbers of people that they have to deal with.

I know of a program in Boston, for instance, where the local library system serves as a source for information on financing college education, and they encourage people to come to them. But I have always been kind of partial to the notion of maybe you need barefoot financial aid people, like the barefoot doctors, to go out into the countryside kind of thing. I think maybe we need something like an outreach worker who goes to schools and meets with students and parents and teachers.

Mr. MELENDEZ. Senator, may I comment?

Senator DODD. Certainly, Louis.

Mr. MELENDEZ. In the TRIO arena, there is a long-established model for such intervention, and we can go back to the late 1960's or the mid-1960's for a model that dealt comprehensively with the family unit.

I mentioned some moments back that I was an Upward Bound student. My parents did not graduate from high school. My parents could not fill out a financial aid application. As a matter of fact, 4 years in a row, the Upward Bound director came to my house and sat with myself and my parents, explained and re-examined the process, and got us through it. After it is all said and done, today my parents could not respond to a financial aid form, after having gone through it so many times.

There is a monologue. If you want to extract it and apply, my recommendation would be to look at the arena, and I think the arena you are talking about is really an awareness. There are already some in Connecticut, some private and public institutions applying some models and, in a sense, are pieces of TRIO programs reaching back into 5th, 6th, 7th, 8th grade, and there is talk of programs earlier than that.

Again, the target is the first generation, which I believe is your target, low-income student who obviously has potential, but is never encouraged or potential is never developed, and all too often we attempt too late, at the eleventh hour, to develop it.

I think there should be a look and an attempt to include something in the legislation to cover early awareness programming, and I would suggest that we look to experts in TRIO that have been doing it so well, to help us have some approaches.

Senator DODD. I point out that Joan has just given me a note that only 10 percent of students eligible for the Upward Bound program are in the program.

Mr. MELENDEZ. We are just touching part of the population. The need is so great, that it is awesome to talk about what it would take to do the complete job, but the point is that low-income first-generation students are not the small entity within our communities. And you will hear from students today, and ask them how many of them are first-generation to college students. It is a large group.

Senator DODD. Let me ask you just quickly one question along that similar line. There has been some suggestions made concerning the feasibility of having students who are eligible automatically for AFDC or Food Stamps, that assuming they meet the other criteria, would be automatically eligible for financial assistance, and you have just cut through a lot of this immediately. What are your comments on that idea?

Mr. MELENDEZ. My reaction to it, from my past experience, is that AFDC students, first of all, in general, are serious about their education, and we ought to do everything and anything we can to make that a smooth transition for them.

I would with substantial numbers in the community college system in Connecticut, as well as State university system, where there are AFDC students, and I have never been disappointed. They are serious and we need to facilitate and make that smooth for them, and that transcends financial aid and we really need to deal with income maintenance and really making that process more smooth.

Senator DODD. One last question for you, Vince, going back to an earlier question. You made a strong point in your statement about allowing the States to administer these guaranteed student loan

programs, rather than having national guarantors. Can you give me two or three good reasons why? Other than wanting to put it back in the States, which has a certain amount of appeal some place, but why should we do that?

Mr. MAIOCCO. No. 1, I mentioned competition, which I think is good, in private industry and business. When you have nonprofit organizations competing against one another for no purpose, they are both serving the same purpose and that is to help someone get, say, a Stafford loan, there is no reason for one agency to want to steal that volume from another agency that is going to accomplish the same thing, if the main purpose is to help someone get a student loan, unless they are in it for an ulterior motive, which should be profit, building an empire or a whole bunch of other reasons.

When the Higher Education Act was first conceived, it was the idea then to let the States run their own programs and have the Feds be there as backup and help those States who were not able to create their own programs.

This went on for a number of years, until 1976, under reauthorization, when there were some massive changes made to the Higher Education Act, and the purpose and the intent was to give the program back to the States, because they realized at that time that this was the most efficient and effective way to run it and keeping costs down, because they knew our defaults went down substantially lower than what was happening in FISL, and it worked.

In States like Nevada, who did not have a program, the law offered them seed money, gave them administrative money up-front, guaranteed them that they could not be hit with a reinsurance trigger figure for 5 years, if their defaults went to 100 percent, they would get total reimbursement, all of these different little perks to get every State to run its own program, and they did.

After a while, we had 50 States and some in the territories also running their own State program. Then, all of a sudden, because of different fees that could be charged by the different guarantee agencies or by national guarantors, they found that, through volume, without checking papers, without looking at efficiencies, economies of scale and all different aspects of the program, they found that by putting through millions and millions of papers for student loans, without checking them, they could pick up a 3 percent fee from the student, and they just built their coffers up into the millions and millions and millions of dollars.

But they did not look at that paper, they did not service that paper. Consequently, most of it went bad, and that is why HEAF was hit with a 20 percent trigger factor, 20 percent of every dollar they paid they did not get reimbursed for, because their loans were so poor. They were making all the loans to schools, without double-checking and without looking at them.

Let me cite you one example. We have a truck-driving school in Connecticut, and we guaranteed loans for them for 3 years since they started, but every time one of their applications came through my office, my staff would look at it and check it out, to be sure that it was being done properly.

One example is 1 day we got 40 applications in, all in the same handwriting. These were for 40- to 50-year-old people who were

going to go to a truck-driving school and were going to learn it through correspondence, who could not complete the student loan application. Now, the State agency at that time, we controlled that, and we went back to them and we said no, there is no way we can accept this, and we threw all of those applications out. We could not get them back in.

Under the HEAF program, those 40 applications, plus another 100,000 more, would have gone right through the system, because there is no double-checking. That paper was done at a different location, the bank came from a different location, and you try to collect money on an installment basis, when they are all over the country, without any kind of checking of detail, and that is what happened. That is exactly what happened.

Senator DODD. Does anyone on this panel have a different point of view than Vince does on this question?

Mr. HOY. I think I would come back, Chris, to the availability of private capital as one way in which to begin to resolve this issue. In so many respects, if we were able to put together an educational IRA, in the process provide Americans with some sense of financial planning for education, and through that IRA process encourage banks and credit unions to help people do a better job of understanding financial planning for education and their kids, there are some inducements in it, but use the private sector.

I have a hunch that if you had a large, monumental Federal system—other than picking up on the proposals that were offered at least two decades ago, to create for the education of our young people a Social Security system hooked into IRS, that is as very elaborate system, but it probably could be done simply—I think you probably ought to let the private market run with this. I do not think in 1992 we are going to see the creation of a long-term Federal investment plan, with a payback that is related to one's annual income tax. I just do not think the Congress is looking in that direction. In the interim, I think you ought to let the private market run with it.

Senator DODD. Well, I am going to get to our second panel. I understand there are people in this room who are experts in this area and all have comments they would like to make, and if we can get through with the second panel quickly enough, I will bring up some others.

I am deeply grateful to all of you. We may have some additional questions, because I obviously did not exhaust all of the questions with you. We could spend all day with just one panel, I suppose. We may follow up with some additional points, but we hope to maintain an ongoing interest in this reauthorization process.

I will speak parochially here about the State, and I say with a great deal of pride that we have some of the finest institutions in this country and a great deal of experience in this area. Our institutions run from the community college to some of the finest private institutions in the country and a great wealth of experience to draw from, as we look at this legislation. I want you to come forward with ideas and suggestions.

It would be criminal not to take advantage of my seat, in effect, on that committee in drafting this legislation and not be involved

and come up with ideas and suggestions that we can incorporate or try to incorporate as part of this effort.

So, this helps this morning, and I thank you for being here.

Our second panel, which I will ask to join us, is a group of students who are joining us, and I will ask them to come up: Richard Hultquist, who is a graduate of the New England Tractor Trailer Training School. Maybe I should have Vince stay around for your testimony here, since he talked about it.

Carol Chiaverini, a Parent and Financial Aid Administrator at Wesleyan University, and you are going to get a chance to talk now on our second panel.

Shannon Richard is a student at the Computer Processing Institute; Walter Josephson is a parent of a Wesleyan student and a minister in New Haven, and we ask you to join us, as well.

We have a number of other students that we are going to try and hear from one when this group is joining us: Paula Greenhouse, Seanice Austin, and Linda Stavis. I would ask all of you to come here and sit at the table with us.

I should point out that Seanice is a nontraditional student and graduate of Upward Bound, a student at UConn Avery Point Campus. Linda Stavis is a student at Middlesex Community College. And Paula Greenhouse is from South-Central Community College.

Did I get that right for everybody? I am getting this from different pieces of paper. We have some people who did not make it here this morning, so we thank you all for being here.

Richard, we will begin with you, since I introduced you first. Again, what I told the opening panel, if you were not here, we will take your comments and make sure they are part of the record. So, I find sometimes if you could just paraphrase your thoughts or whatever and tell us about your own experiences when it comes to the issues we talked about, both access and cost, it would be helpful.

STATEMENTS OF RICHARD HULTQUIST, GRADUATE OF THE NEW ENGLAND TRACTOR TRAINING SCHOOL; CAROL CHIAVERINI, PARENT AND FINANCIAL AID ADMINISTRATOR, WESLEYAN UNIVERSITY; SHANNON RICHARD, STUDENT AT COMPUTER PROCESSING INSTITUTE, NEW LONDON, CT; WALTER JOSEPHSON, PARENT OF A WESLEYAN STUDENT, AND A MINISTER, NEW HAVEN, CT; PAULA GREENHOUSE, EAST HAVEN, CT; SEANICE AUSTIN, MOTHER AND UPWARD BOUND STUDENT; LINDA STAVIS, COLLEGE STUDENT, MIDDLESEX, CT; JANE FLANDERS, STUDENT, MIDDLESEX COMMUNITY COLLEGE; AND ROBERT HOLLOWAY, STUDENT, UNIVERSITY OF CONNECTICUT

Mr. HULTQUIST. My name is Richard Hultquist, and I was a student at New England Tractor Trailer Training School, in Connecticut.

I have always wanted to drive a truck. At the time, I was laid off by an arcade company, and there was no future in it, anyway. My wife saw an ad in the newspaper about New England Tractor Trailer Training School, and she told me about it. I met with a person from the school to get into a class. Thanks to a student loan, I had

enough money to get my training. Without it, I would never be where I am today.

The great thing about my training is, it was 320 hours and only took 8 weeks, short enough so that my family was not financially hurt.

I also got a real job after I graduated, since I passed my Class 1 test right away. Now that I am driving, I will earn $20,000 to $25,000 in my first year as an entry-level driver. A big load was taken off my shoulders by the default management program in New England Tractor Trailer Training School. They worked it out with my employer, so that my loan payments would be taken care of by him after 30 days.

I have been with the company for 5 months now, and I do not have to worry about my loans being taken care of. My job is great, and now I drive a brand-new 1990 Mack tractor-trailer, because I have proven that I am a real good driver. I owe this all to New England Tractor Trailer Training School. They gave me the chance to prove myself, with a great training program and a student loan, and now I am a success at what I am doing, that I like to do best.

Senator DODD. What was the cost of the program for 8 weeks?

Mr. HULTQUIST. $3,500.

Senator DODD. $3,500?

Mr. HULTQUIST. Yes.

Senator DODD. For the 8-week program?

Mr. HULTQUIST. Excuse me?

Senator DODD. For the 8-week program?

Mr. HULTQUIST. Yes.

Senator DODD. And how much in loans did you take out?

Mr. HULTQUIST. I took the whole $3,500.

Senator DODD. $3,500?

Mr. HULTQUIST. Yes.

I would like to read a statement by Al Greenberg, president of New England Tractor Training School:

> I strongly support a 320-hour tractor-trailer training program. This course is complete and prepares students for entry-level jobs as tractor-trailer drivers in just 8 weeks. In this way, the training does not take them away from earning a living for too long of a time. Once employed, students are helped by a school default management program.
>
> This program works with trucking companies, to have them development repayment methods for students. Since students can earn $20,000 to $25,000 a year after completing just an 8-week program, repayment methods further help to establish a real sense of financial security for these people. This is particularly important, since most students would not have found a rewarding career in the trucking industry, without student loans.
>
> Student loans are also extremely important for dislocated workers who would be on unemployment, if they were not trained in a field without opportunity. As far as opportunity goes, there have been no major layoffs in the trucking industry, and trucking is expected to produce among the greatest number of jobs opportunities for the future.
>
> Our school serves an extremely important role in making sure that the trucking industry has a steady flow of good drivers, to make sure the industry's trucking fleet keeps on rolling.

I would like to thank you for the opportunity to appear before you today and express what student loans and a 320-hour tractor trailer training program have meant to me.

Thank you.

Senator DODD. Thank you, Richard.

Mr. ROBIN. Could I just make one statement? I am the Director of New England Tractor Trailer Training School.

Mr. Maiocco referred to a tractor trailer school in reference to the loans. That was not our school. I just wanted to clarify that.

Senator DODD. I had a feeling you wanted to get that out. [Laughter.]

Mr. ROBIN. Thank you, Mr. Chairman.

Senator DODD. And that will be noted.

Carol.

Ms. CHIAVERINI. Good morning.

I am here today as a parent and as a Financial Aid Officer at Wesleyan University.

I am the parent of two children who are currently in college. I have a son who is a junior in high school and will be applying to college next year. I am a graduate student myself. Our total family tuition bill for the 1990–91 academic year was $57,000. Needless to say, I am a strong proponent of the financial aid program.

Senator DODD. How much jewelry have you got on there?

Ms. CHIAVERINI. It is cheap metal. [Laughter.]

We are a family that believes very strongly in education, quite obviously, if we are willing to work as hard as we are and incur the kinds of debts that we are incurring to educate our children. My husband is a letter carrier with the United States Postal Service, and does not have a college degree. I myself, as a nontraditional student, I have a degree from Hadyme Community College, a BA from the University of Connecticut, and currently a graduate student, so I have had experience from the financial aid office from that perspective, from the parent's perspective and the nontraditional student perspective, and just about——

Senator DODD. You could have been our only witness today. [Laughter.]

Ms. CHIAVERINI. That is probably true, and I have had good experiences and we are very thankful for the support that we have been able to access.

I do have a number of comments that I think are very relevant. As a middle-income family, we have been placed in the position of assuming substantial debt to finance education. That was our choice, I would very definitely acknowledge that. However, we know that in order to pay our debts off, we will have to sell our home, not to access the remaining equity in it, because there is practically no equity left, but to pay off the debts and to be able to start all over again at retirement, if you will, because that is exactly the position that we are going to be in.

My oldest daughter is a junior now in college. I have a daughter who a frosh, and as I said, my son will be going in, so we have several more years of financing education. What will probably happen to a family like us, we are a family of six, we also support my elderly mother, who has been with us for 17 years, and she is a widow.

For the last 2 years of college for my son, we are probably going to be funding the whole thing, perhaps $30,000 to $35,000 a year, and that is fully what I expect, because he is not yet in college.

The student loan programs have been a marvelous thing for us to be able to access and to have my children access. But one of the

things that I really wanted to focus on today was the way that the determinations are made for contributions.

The congressional methodology, as I know it, because of my background in financial aid, I am going to be a little bit more technical than the typical parent. When we talk about looking at home equity, there has been a great deal of discussion about eliminating it from the formula, and looking at only income, and I have stated that I am a person who has tapped my home equity. I do not believe it should be eliminated, but I do believe that it should be treated in some way with regard to the level of the family's income.

I do not think someone who has $100,000 in equity in their home and has a $12,000 income should be expected to take out loans to finance education to the same degree as someone who has $100,000 in equity in their home and a $50,000 income. Sometimes, oftentimes that is the kind of situation that I see, as an aid administrator.

The other thing that I think is very critical to think about is the situation where you have families who use loans, they are making payments on those loans, plus loans must be repaid 60 days after disbursement of funds. Parents are paying on those loans, as children are continuing with their education and as other children are being educated. The formula does not allow for any of that debt service. We do not acknowledge that in any way.

So, if you have two children going to college and you have a minimum repayment on a plus loan for 4 years by the fourth year, you are repaying on double loans, if you have two in, plus you are paying for the individual loan for the first child that went in, and that can really be a substantial burden on a family.

At my institution, the family can use a student loan, college work-study grants, and still access home equity and use plus loans, as well, because the cost is as high as it is, and I think that, once again, is an individual family choice, but it happens.

The other thing is that I think there are some disincentives out there for families. One of the things that I see frequently and that I am very concerned about is the fact that we ask people to contribute to an extent that is beyond their means, when they attempt to come up with the funds that they need by working second jobs or by doing different things to come up with money——

Senator DODD. Or by taking a home equity loan.

Ms. CHIAVERINI. Or whatever—we look at them the next year and we say, oh, your income was greater for the previous year, so we are going to ask you to contribute more, and it makes it worse and worse for them.

Student income contribution, we are assessing the student income at a 70 percent rate, after allowing for taxes, Social Security, etc. That is exorbitant.

Senator DODD. Would you do a dollar cap? In my bill, I lowered it to 45 percent, and some have suggested an amount of 35 percent, and others have suggested it should be a dollar cap, rather than a percentage cap.

Ms. CHIAVERINI. Well, my recommendation would be between 40 and 50 percent, so you and I are on the same wavelength, as far as that is concerned.

Senator DODD. And I am going to convince you about home equity, I am going to get you. [Laughter.]

Ms. CHIAVERINI. My younger daughter works under the college work-study program, and she happens to be a Connecticut independent college student grant program recipient, and does community service work. She works for Upward Bound and the Odd Fellows program in Middletown.

In addition to that, she has an off-campus job, and she does that for numerous reasons. One is that what she earns doing the work for community services has to be used to pay her college bill. That leaves her with no funds to go anywhere, do anything, buy any clothes, and those other kinds of things that I at this point obviously am not able to fund, because I am busy trying to cover the cost of the tuition and the direct expenses that have to be paid.

She went to see the student employment officer the other day and told her that she resigned from one of the positions, because she could not carry the workload any longer, it was having an impact on her academically.

I think it is very appropriate for us to make adjustments. I see more and more students at this point, number one, who are unable to secure employment, particularly with the economy the way it is, and those who have figured out that, once they do earn more, they are penalized for it, and that is exactly how they see it, and that is another really sad situation. What I have heard is that there has really not been much attention paid to doing anything about adjusting that student income contribution.

Senator DODD. Well, I have my little bill in.

Ms. CHIAVERINI. I think that is terrific and I hope we see something really happen on it, because I am very, very concerned about that.

The other thing that I am concerned about, which is, in attempting to get some parents to come and speak today, I spoke with one individual who asked me if I would present her story to you. She is a woman who is a widow, the parent of three children, and is not gainfully employed. She does some college counseling and makes perhaps $2,000 to $3,000 of earned income a year, lives off the income that is generated from the proceeds from her husband's insurance, has equity in her home, because it is paid for, and she lives in an average home.

Last year, her tuition bill was in excess of $40,000. She has two children in college, neither of whom were eligible for financial aid, not even a Stafford student loan, because this woman has $300,000 in the bank and the equity in her home.

Her income, even from the funds that she has in the bank, is between $25,000 and $30,000 a year. Now, as she depletes these resources, of course, her income is depleted, because those are the funds that are generating her income. She is sort of in a no-win situation. She is 50 years old, she is not going to be able to go out into the job market and recoup what she is losing over time. Her youngest daughter has decided that she is going to leave a private high-cost institution, because she does not want her mother to deplete her resources and be in the position of not being able to take care of herself at retirement, which is not all that far away, and that is a sad situation.

Senator DODD. Common, it is not that uncommon.

Ms. CHIAVERINI. I know.

Senator DODD. You can vary it, not a widow, but two-incomes that have this.

Ms. CHIAVERINI. Absolutely, and that speaks again to the issue of how we treat equity and how we treat assets. We oftentimes talk about looking at home equity in a different way, because it is nonliquid, but maybe we ought to be looking at liquid assets in a different way for parents or for families who are in——

Senator DODD. I do not disagree with you, Carol. It is just so hard, the way you draw those parameters and lines, because so much of our economy is based on homeownership and home construction and so forth, is such an integral part of the economic well-being of this country.

What I get very nervous about, and I have watched it happen, particularly in this area, where people just went bonkers on home equity loans, and they now have reached a point where there is no value left in the home, the payments on those mortgages exceed their incomes coming in, and they were lured into this thing in the most important long-term investment that a family has, it is no longer there or is in such jeopardy that it might as well not be there.

Again, I think it is just too attractive a temptation for people who are deeply committed to education of their children, as you have been, to say, look, we have got to do this one way or another, and they jeopardize that investment that we should be encouraging them to save and hold onto.

Ms. CHIAVERINI. Absolutely.

Senator DODD. You know, younger people today can talk about it, but the people who do have it, at least will hedge against some of the demands I will be getting or the Congress or the government will be getting in a few years, in terms of significant increases in Social Security or other things to pick up those costs, because that ideal to contribute to that long-term financial security is going to absolutely be wiped out in the process. So, I am very worried about it.

We should get you a copy—I am presuming you are familiar with the legislation we have introduced on that. We will get you a copy of it here, so you can look at it, because it does cover the student income question, as well as the home equity issue.

Thank you very much for being here.

[The prepared statement of Ms. Chiaverini follows:]

PREPARED STATEMENT OF MS. CHIAVERINI

My name is Carol Chiaverini and I am the parent of three children, two of whom are presently in college. My oldest daughter is finishing her junior year at St. Joseph College and plans to go into teaching. My eighteen year old daughter is a frosh at Wesleyan University and is considering a career in international politics. My son is 17 and in his junior year of high school—soon to be applying to colleges.

I wanted to speak to you today to tell you how difficult it is for the middle class, non-minority, middle-income family to pay for college. If I were to title this presentation, it would be "Mortgaged Futures." Both my husband and I are very committed to educating our children. My husband is a letter carrier with the U.S. Postal Service and I am a Financial Aid Officer. I am also a half-time graduate student at the Hartford Graduate Center. Additionally, we partially support my widowed

mother who has lived with us for the past 17 years since my dad's death. We own a home, heavily mortgaged, in part to pay for educational expenses, and have modest savings.

According to Congressional methodology, we are expected to pay $6,500 for 2 undergraduate students for the 1990-91 academic year. In addition, I incur expenses of approximately $6,000 for my education which my employer does not reimburse. I have used student loans which I do not object to using, but, I am concerned about repayment. My children have also used student loans. All in all, I feel that my family has received a significant amount of help towards financing educational expenses. At the same time, I must emphasize that it will be necessary for us to sell our home to pay off our debts. We knew this when we allowed our children to apply to high cost schools. We have no regrets about our decisions. We do have concerns about the future. We have three children to educate. Next year we will have two children in college with me still in graduate school. The following two years we will have two children in college. I will still be in graduate school. And then, we will have one child in college for the remaining two years. We have already told our children we will not be able to help finance graduate school and they will be on their own for that. We just hope we can continue to get them all through their undergraduate years.

We are more fortunate than many of our friends and acquaintances with children in college. One of the benefits of my employment is a faculty tuition grant. Even with that being used to meet need, we qualify for financial aid. Many of our friends have lived in the same house for 25 years, the house is paid for and they still have children to educate. Most of them have already educated their older children and incurred debt for that. At the same time, they were unable to save any money. Retirement is fast approaching for some of these people, they have annual incomes in the $30,000 to $40,000 range and are expected to cover $9,000 to $10,000 a year for college based on income, the equity in their home and the little bit of savings they may have. With five months to feed it simply is not possible to pay a mortgage or home equity loan payment in excess of $1,000 a month on a $30,000 to $40,000 income. The assessment of assets, home equity in particular, is not tied to income in any way and as a result, families are faced with totally unreasonable expectations.

I would also like to point out that asking the student to pay 70 percent of their taxable, non-work-study earnings towards educational expenses is a disincentive. Most teens and college age students who work do so to ease the burden on their parents. They pay for some of their own clothes, their entertainment and other miscellaneous expenses. They are expected to save almost all of their earnings to pay for college. What I see happening more and more is that students will choose not to work or to earn a minimal amount so that they will not have to pay more. The "system" suggests to students that they are penalized for working hard. This must be addressed. Do we want to show our future leaders that they can gain by sitting back and letting the system take care of them? Not only will this impact the future of our action, but it has an impact on the family during the college years. If the student doesn't save from earnings or earn to begin with, parents usually end up covering the student's responsibility. Sock it to mom and dad again. If they don't have the money, the family relationships are strained. If one of them gets a second job to pay current year expenses, the system asks them to pay more next year. This particularly affects the middle-income family because the general consensus is that the parents will find a way to pay the bill.

The high-need disadvantaged student in this situation will probably receive replacement funds. They probably already have a reduced loan expectation and may be able to substitute remaining available loan for the shortfall in student income contribution, or they may already be receiving enough aid so that they can overcome the deficit by living in housing with a kitchen and saving on food expenses. Yes, the middle-income student may also be able to do this and often it is done. But, for the most part, at resident institutions, the student may be required to reside in a dormitory and pay for a meal plan.

The student income contribution issue should be addressed because of the social implications and the impact it could have on the future of our nation. My daughter works three jobs during the academic year, two under the college work-study program and one off campus. She works off campus, because her college work-study earnings meet her need, and without the off-campus job, she cannot participate in any social activities with a price tag or purchase clothes or other basic necessities. Our youth is our most important resource. Do we want to teach them to avoid working and contributing to their own as well as the national welfare? I do not think so. Let's try to institute change that will motivate and encourage. A 40 to 50 percent assessment rate for student income contribution would be much more appropriate.

Seventy percent is simply too high. If my daughter could reserve a portion of her summer or off-campus earnings to meet personal expenses during the academic year, she would not have to work 3 jobs. Because the colleges face financial limitations, the amounts allowed in the financial aid budget for books and personal expenses are seldom adequate. $225 to $250 per semester for a student taking 4 to 5 courses simply is not enough. The average text book cost $50. Paperback required supplemental books range between $15 and $20 on average. Books for one heavy reading course could cost as much as $200. Thank goodness this is not the case for all courses. How is the student supposed to pay for the books for their other courses. Buy used books you might say. I agree. But, used books cost 80 to 85 percent as much as new books.

More appropriate assessment of both student and parent contribution would provide greater access and support retention in the college population.

In closing, I want to tell a brief story at the request of a friend. She is a widow with limited income from her husband's life insurance. Her home is entirely paid for and she has a very small earned income. Her only resources for supporting herself, her family and her retirement are the family home and the life insurance proceeds she received at her husband's death. With two children in college she has not qualified for Financial Aid. She does not have enough income to qualify for a home equity loan. If she depletes the principal balance of her husband's life insurance proceeds, she will not have enough money to live on or retire on. She lives in an average home and has just under $300,000 in the bank. That $300,000 is the primary source of her income which coupled with her earned income is between $25,000 and $30,000 a year. She has 3 children. With 2 in college she was expected to cover over $40,000 in one year for education expenses. The use of a Stafford Loan for each of these college students would have been enormously helpful to this family. This woman does not have current or future earning power at a level that will permit her to re-coup the financial burdens she must taken on for educating her children. She is in her 50's. The potential exists for her resources to be depleted. She has no social security eligibility. By working more to help pay their costs, her children have been denied access to student loans.

We should be directing the resources of the State and federal government to help her children pursue their education and at the same time permit her to maintain self-sufficiency. Keep in mind, we are talking about a middle-income family. I personally feel that requiring students to use loans and work is acceptable. I also feel it is imperative for this Nation to encourage people to help themselves in every possible way. I do not feel it is appropriate to regularly expect parents and students to reach far beyond their means to finance education. I do firmly believe that the family has a responsibility to pay for education to the extent that they are able without hanging themselves.

My friend's daughter will not be able to continue her education at a private selective college, despite the fact that it is truly the right place for her to be, because she does not want her mother to deplete her resources. Retention and access are predominant issues for middle class families everywhere. I was asked to tell you about this case because this person feels it simply is not right to expect her to pay so much based on her limitations. I agree to present the case because I agree with her both as a parent and a financial aid officer.

Ms. CHIAVERINI. For a moment, could I put on my other hat and make some remarks?

Senator DODD. How many hats do you have?

Ms. CHIAVERINI. My finance officer hat for a comment, as opposed to the parent hat.

Senator DODD. Oh, I thought you were through. I apologize.

Ms. CHIAVERINI. When Mr. Maiocco was making his comments about bringing the student loan program back to the States, I have to make a comment about that. I was really chomping at the bit.

I do not disagree with that kind of a concept. I think it probably could be a good one, but from the perspective of the institution, at my institution, we dealt with guarantee agencies in 1 year from 29 different States. They all had different loan applications, and they all had different materials they wanted from students. For us to be able to service students well, it is virtually impossible to know the

complete rules and regulations of the Federal program and each and every individual State guarantee agency.

If we are going to look for stability and we are going to look for some real change there, we need to standardize on the national level the application and the information that is collected. I simply had to get that out.

Senator DODD. Anything else?

Ms. CHIAVERINI. Thank you very much.

Senator DODD. Thank you.

Shannon.

Ms. RICHARD. My name is Shannon Richard, and I have just graduated from Computer Processing Institute, in New London.

I would not have been able to attend CPI, without the guaranteed student loan that I received. When I graduated from Robert E. Phipps Senior High School, in 1989, I was really excited about going to college. I had plans to attend Central Connecticut State University in the fall, but plans changed, when I found out that my parents could not afford to send me to that college.

The thought of jumping into something that expensive at my age had its drawbacks. For one, the responsibility of taking out a loan and having to work while going to school to pay for it was not too appealing. The second drawback was uncertainty of my career. If I had went to Central and then decided that college was not right for me, I would still have to pay back that loan that I took out.

I decided to put my college career on hold and try a retail career. The retail career lasted a little while, but 1 day I saw an advertisement for CPI. It read, "Start your career today, financial aid available." I then decided I was going to go to CPI and see if I was qualified for any type of financial aid.

I filled out all of the necessary paperwork and found out that I was qualified for a guaranteed student loan. The tuition for CPI was $6,000 for 6 months, an intensive 600-hour course. I took out a guaranteed student loan for $1,700. My mother took out a Parents Plus loan for $1,000, and my father cashed in his stocks for $2,300 to help me go to school.

I never thought I would be able to take out a loan and not have to pay for it until 6 months after I graduated. School started in 3 days and I was already enrolled. I really enjoyed going to CPI. The student-teacher atmosphere was very outgoing, and everybody helped each other.

I have been out of school for 3 days and I already miss the friends that I made there. If I did not receive that guaranteed student loan, who knows what I would be doing now. When the State provides young students with a chance to go to school, that student realizes that the State has made a way to benefit less fortunate students. With the State giving me a chance to go to college, I achieved confidence and an edge for a better career.

Taking way financial aid from students will lead to many arguments and disappointments, not only from students, but from the colleges that depend on students. If a student cannot afford to attend a college, that college will lose money, because that student will have to look for a less expensive college that might not have the same status.

I think anybody who wants an education is entitled to it, whether or not they can afford it. Education is what keeps this country going. Without the opportunity of higher education for middle- and lower-class people, this would not be the country of opportunity it once was.

There are many key points that I would like to point out. In "Social Policy," dated March 26, 1991, many people spoke of solutions that could help the financial aid system. First was cutting trade schools out of the program. It has been said that a large percentage of the default is from trade school students. Should trade schools have to meet different standards for their students to qualify for loans, or should they have their own financial program?

The second solution was to cut out the middlemen and create a direct loan program, cutting out the banks and guarantee agencies and the processing fees. This would eliminate the interest rate subsidies by the government to the banks. It would also save the Federal Government from $1 to $2 billion a year. Some like the idea, but few say the direct loans will subject the Treasury to more risk.

I feel that this is a solution very promising, but also could cost banks and many people their jobs.

I decided to do some investigating on the issue myself. I wanted to know what students thought about financial aid and how they would pay for their tuition. I targeted four high schools in the area, New London High School, Waterford High School, Robert E. Phipps Senior High School, and Ledyard High School

Two of the schools felt the issue was too political to get involved in, which was Phipps Senior High School and New London High School, which has the largest population of minorities. Ledyard High School is doing the poll on Thursday, April 4, and I have not received the results from Waterford High School yet. I will give you that——

Senator DODD. What do you mean, too political?

Ms. RICHARD. They thought they should not get involved.

Senator DODD. In surveying students about their——

Ms. RICHARD. Financial. In New London, I talked with the guidance counselor and he did not want anything to do with it. He said he does not like to get into those kinds of issues with the students.

Senator DODD. I suspect he will be reading about this today, and we will be hearing from him rather quickly on these things. [Laughter.]

Did he have any idea of what you were going to do today?

Ms. RICHARD. Yes, I told him I would give him a copy of the speech and I would go on and tell him what I was doing and he did not think it was as good idea.

The principal at Phipps thought it was too political for the people and the students at the school to get involved with.

Senator DODD. About financial aid for college?

Ms. RICHARD. Yes. The guidance counselors have backed me up, but the principal would not allow it.

On the poll, I asked three questions: Would you attend college, if you couldn't receive a guaranteed student loan of financial aid? Would you be able to afford to attend college, without financial aid? And would you seek other means of tuition? These three ques-

tions were all yes-or-no answers. At the bottom of the questionnaire, I left a space for comments or suggestions.

As I conclude my speech, I would like to say a few last remarks. Our government provides over $18 billion a year to nearly 6 million students in forms of grants, loans, work-study assistance, and fellowships. What will happen to those 6 million students, if they could not get those forms of financial aid? They would be standing in unemployment lines or receiving welfare checks, because they could not afford to get a better education and a better job to support their families.

Please do not jeopardize the education of the students for a chance to make something of themselves. Give them a chance, like I had, to make a foundation for my career and life. Give them aid in education and help our future.

Thank you.

Senator DODD. Thank you, Shannon, very much.

Walter, thank you for being here.

Mr. JOSEPHSON. I have a fear that I am going to sound like I am crying or begging, but neither is the case.

Like Carol, I take full responsibility for wanting to education my children, so just to give you some sense as to how we do it, what it costs and how we afford it, some background.

I am married, and I have 3 children. I am a second-career clergy person, which means that back about 15 years ago I left what I was doing and funded seminary education and then began a ministry, so it has been only since about 5 years that my own student loans have been paid off.

My oldest is a freshman at Wesleyan. He is a very bright kid, a gifted kid and a kid whose life tends to revolve around educating himself, one who probably needs more education than maybe the other two. At the time he started high school, we were living in Wallingford, living basically on the Choate campus, although not a part of it, and he desperately wanted to go there, so we began our education bills at an earlier date, because of that.

When my second started school, he also thought he wanted to try a Choate education. He did that and he is not the student that the first is, so at the end of his second year, it was kind of a family decision that maybe that would end, to make way for some of the college bills that were starting, and everyone was basically happy with that.

At any rate, when I go through some of the finances, some of those are old and not college.

As most clergy, we live in church housing. We did that up until 5 years ago, when we finally bought our own house. So, for one who is 45 years old, I have a relatively new mortgage also, that is probably higher than most people my age would have.

The mortgage has been a good thing. Three years ago, we rewrote it, to pay for much of the Choate expense, and then we also dipped into it with an equity loan to pay other of the secondary school expenses and something of the Wesleyan expenses.

My bills basically are about $1,400 a month for the mortgage, $300 for the second mortgage, which has gone into school. I pay $400 a month in school loans, I pay $400 a month for auto insurance, that is with two underage drivers, both of whom are honor

students and have driver education. It is great, if you go away to school from a distance, but if you are within a 100-mile radius, you have to pay all of the extra insurance costs on your children, as well.

I borrow about $6,500 a year, in addition to what the grants at Wesleyan are. We do it and we squeak by. My fear is that I have child number two coming up in 1 year, child number three coming up in 3 years, and you end up teetering on the edge of something. For instance, a year ago, the day after Christmas, my father-in-law died, and he was in Iowa. You have to make choices of either you go to the funeral or not. We chose to go, but it was a $3,000 debt to get the kids out there and back, again my decision, but that sits on my American Express card still in that little sign and travel section that gets chipped away at every month.

This week, I had an orthodontist bill of $1,000, not because of crooked teeth, but because the teeth kept coming across the side underneath gums that are kicking out the roots of the teeth that are next to it, as it crosses. It is not the kind of thing that you say, well, you know, we really want this pretty smile, you just do not have any choice. Those kinds of things just become devastation and you run so close.

Thank you very much.

[The prepared statement of Mr. Josephson follows:]

Prepared Statement of Mr. Josephson

Married to Karen Josephson who earns miscellaneous income from various community services activities. One son in college, other son in junior year at public high school and a daughter in public school.

Have incurred loan debt for private high school education of son presently attending Wesleyan University. During his high school years we lived very near the Choate campus. Our son is a high achiever and very committed to his educational pursuits. We felt a high school education at Choate would best meet his needs. In addition, second child, spent two years at Choate.

The burden of payment for the Choate years adds to the burden of financing a college education. My son in college is a frosh at Wesleyan University and the recipient of a Robert T. Stafford Loan, College work-study, Connecticut Independent College Student Grant Program funds, Felp Loan and Wesleyan Scholarship.

My income is modest for a family of five and I have accessed the equity in my home and used other loans to help finance education. But, I have two more children to attend college and find myself incapable of servicing increased loans. I am barely able to met monthly expenses at present.

Please let me emphasize that I am willing to do as much as possible to pay for college for my children but increased debt, which I am unable to repay. If my income were greater, I would be willing to take on as much debt as possible to pay for college. I have already done that to the greatest possible extent on my current income. I simply cannot meet additional monthly expenses. As it stands now, my mortgage for my home purchased in 1985, after a career of living in a church-supplied house is $1,400 per month. I make and additional $300 per month second mortgage payment for funds borrowed to finance schooling. I have parent loans of about $250 per month, car insurance of about $400 per month and make interest only payments on several thousand dollars of loans that will come due after college graduation. I also have a leftover payment for my wife's education of $100 per month. This is not to complain. I make the payment on time. I just don't know how I can go further into debt and still keep the payments up—a $5,000 orthodontist bill, for instance, threatens to undo me. Also, in the case of son No. 1, a career in the helping professions will not enable him to be much help financial in the years ahead.

I have already stated that my wife's income is modest and with the economy as it is there is little hope for it to increase significantly. She tries very hard to find all the work she can and to earn as much as she can.

I do not understand how the determination of family ability to pay is made, but, from my perspective the expectation based on my income and resources is not a reasonable one, nor is the expectation for my son.

The level of responsibility assessed to him is unreasonable and prohibitive. In order for him to save the amount he is to contribute, he must deny himself some very simple pleasures such as pizza on Friday night during the school year or summer or an occasional movie. Part of the educational process is socialization and personal development outside of the classroom. Therefore, I borrow much of his expected contribution. I see no problem with sacrifice to a certain extent, but that extent should be a reasonable one.

I hope that some thought will be given to methods for determining more reasonable expectations for both parents and students and, that as a result, children like mine will be able to access quality education in the kind of environment best suited to their needs.

Senator DODD. Again, I would love to say it is a unique story, but it is not a unique story. If it was unique, we could say we would try and do something for you through constituent service, but this is a problem that many, many families are facing. I congratulate you for meeting the challenge and, hopefully, we can be of help to some people like yourselves and others to some degree.

We thank you for being here.

Paula.

Ms. GREENHOUSE. Thank you.

My name is Paula Greenhouse. I reside in East Haven, CT, and I go to South Central, even though I am from West Haven. My grade average is about 2.5, and in the spring of 1992, I will be the first graduate of my family.

I am a single parent, and my daughter is about 4. Her name is Nichole. She attends a child development facility within the institution, and this is in jeopardy of being lost, I fear.

My ultimate goal is to be an elementary teacher. Federal aid has made it possible for me to continue my education. The Pell grant and, specifically, the college work-study program has been of benefit to me to remove myself from AFDC assistance and be self-supportive with another parttime job.

Through these programs, I intend to improve my financial status, to be self-supportive, so I can provide for her. She is growing at an incredible rate and she is needing new things constantly. Hopefully, she can have the experience that I have been able to. I did not start college until I was 21. It was totally untangible to me, coming from a split family. I have three other siblings at home, and my mother was a single parent, too, and it just was not feasible at all.

I am active member in the student government, and next semester I will hold an elective office.

Senator DODD. You are not running for the Senate, are you? [Laughter.]

Ms. GREENHOUSE. I am already a Senator.

Senator DODD. If you're a colleague, I hope you are a Democrat. [Laughter.]

Ms. GREENHOUSE. In my position in the student activities, office, I am in contact with many students and staff throughout the day. I arrange trips. We went skiing for 5 days. We go to basketball games, softball games and things of such. I enjoy it, I really do. Community college for me was an easier transition than going to a

larger university, because I am a single parent and going back to school was a difficult thing.

In closing, if the bill is passed that has anything to do with the Pell or the SSIG, I hope that it will include more students, rather than pushing them away.

Thank you.

Senator DODD. By the way, the legislation that I have introduced a couple of weeks ago has as child care provision in it. I think that is such an important element. [Applause.]

Thank you. Congratulations.

Ms. GREENHOUSE. Thank you.

Senator DODD. I think it is terrific that you are doing these things.

Ms. GREENHOUSE. Thank you.

Senator DODD. It is a burden, but I think you get great enjoyment out of it. I am delighted to hear of some people getting active in student government.

Ms. GREENHOUSE. I really enjoy school, and when I tell people that, they look at me like I am crazy, but it is very social. Not only do I do academics, but I am involved with speaking to deans on a day-to-day basis within my job, and I call other schools and I plan for spring outings for five colleges, and you can come.

Senator DODD. Yes, as a fellow Senator. [Laughter.]

Thank you very much for being here.

Ms. GREENHOUSE. Thank you.

Senator DODD. Seanice?

Ms. AUSTIN. With our country's growing technical advancements, more specialized training and knowledge is needed for today's students, to compete in the job market. Gone are the days when students only needed a high school diploma to become a part of the labor force.

Many jobs now require college experience and, as technology grows, so does the demand for higher degrees.

Many students, even with the help of their parents, cannot afford the costs of education, to receive these skills and meet the job market demands. I think it is the role of the government to help those students in financial need, by providing the funds, and also by having enough funds made available, so that the maximum number of students can be a part of the programs.

As a recipient of financial aid, I would like the funds continued and not cut. The funds I have received the past 2 years have greatly alleviated the financial burden and made it possible for me to be in college.

I am the mother of a 2-year-old son, and my husband and I could not afford to send me to college during this time. One more bill, along with the rest of our bills, we are not homeowners, we rent, and we have car bills and the other bills of newly-married couples, and we just cannot afford another bill, which is why I stress the need for grant money, as well as loans, more grant money.

Students who do not have the money to go to college more often would not like to borrow it through a loan. The thousands of dollars for the cost of college is a great deal for a student, especially minorities, and a majority of those students will opt not to go to college, if they have to go through it through a loan. This anxiety

could be alleviated and the minority enrollment would probably increase, if more funds are allocated for grants.

Unfortunately, some students do not receive the financial benefits. Many of our high school friends who were able to go to college the first year had to discontinue their education, not due to insufficient academic performance, but because of the financial hardship.

Many received only a minimum, if any, financial aid, because there were too many applicants and not enough funds to go around, or their parents' income was a step above the income level allowed, in order for them to be financially needy. Many were denied aid, and if the government cuts it, they will all be turned away. There are already young people with academic potential who cannot fulfill it, because of the costs, they cannot afford to go to school.

Along with students who had to put off college, many work full-time or almost that, doing the school year, as well as during the summer. I myself worked two jobs on-campus and one off, in addition to being a mother and a wife.

I have friends who work at least 30 hours a week, go to school full-time, and do their school work at the same, which is probably more than the average adult would do during their average work-week.

We are not against hard work, but if more money is given to those students, they can decrease their work schedule, concentrating more on academics, and probably raise our country's performance level with our world rivals, such as the Japanese, who do make educational funds a top priority.

Senator DODD. Yes, they do.

Ms. AUSTIN. Many Americans say they are for education, that education is available to all, and that the children are the future. Much of the time, their actions do not match their words. It is now time to back up those words by not allowing a cut in financial aid, grants, especially.

To millions of students, myself included, financial aid is the only way for us to receive an education.

Thank you.

Senator DODD. Excellent testimony, Seanice, and I thank you very much. I have a feeling that you are going to make it, no matter what. You have a look in your eye of utter determination. That is very good testimony.

Linda, we thank you for being with us.

Ms. STAVIS. My name is Linda Stavis, and I am a college student at Middlesex. I am in the human services program. I am a single mother, with 2 children, and I am on welfare. I am the first generation of single parents in my family.

The reason why I am here today is because being a single parent and seeing how hard it is to raise 2 children and to teach them the importance of a good education, so I decided to come out here to ask you—I am nervous, because this is my——

Senator DODD. Just relax. You are doing well.

Ms. STAVIS. One of the classes that I am taking at Middlesex is interpersonal communications class, and it is helping me to put aside fears that I have as far as public speaking. [Laughter.]

Senator DODD. Let me tell you something, Linda. I have been at this for 17 years and I get scared to death every time I have to stand up in front of an audience. It does not go away and you have to cope with it, and you are doing fine.

Ms. STAVIS. Because of this fear, I am trying to teach my kids the importance of education, belief in God, because I want the best.

Senator DODD. You want the best for them, don't you?

Ms. STAVIS. And myself. I would like to be a counselor for single and divorced parents, upon graduation, because there are a lot of parents out there who have a lot of potential, but they need someone that has already gone through——

Senator DODD. Those experiences.

Ms. STAVIS. Thank you.

Senator DODD. You and I could be a team. [Laughter.]

Ms. STAVIS. Just as the support you have given me throughout my speech, I need that same assistance in terms of financial aid, day care. I talked with a few people here and they were telling me about a lot of services that I was not even aware of. I have a 12-year-old son. Because I have stressed the importance of education, the past 2 years, he has made the honor roll. He wants to be a doctor.

Senator DODD. Good for him.

Ms. STAVIS. He just got accepted into a program that Middlesex is starting for kids that are in the 8th grade, based on his academics, and I am really proud of him. I have a 4-year-old daughter who likes to dance. When they decide that they want to go to college, I want all of these services to still be there, so that they can do something productive with their lives, as I am trying to do now.

Thank you.

Senator DODD. Well done, Linda. Congratulations, an excellent job. [Applause.]

What year are you now at Middlesex?

Ms. STAVIS. I am in my second year.

Senator DODD. Your second year. So, what are we talking about, how much longer are you planning on and what do you need to do educationally before you can get into the field?

Ms. STAVIS. One more year.

Senator DODD. One more year, and then you can get in the field and find employment?

Ms. STAVIS. Well, I would like to work for a year or two, to get some more field experience, and then I would like to transfer over to Central. Because I am hearing that there are not too many black counselors of single and divorced parents, so I would like to do that and help them, and also to contribute back to society the finances they used to help me.

Senator DODD. I agree with that notion totally. Not enough people do it.

Ms. STAVIS. So I will know how to do that.

Senator DODD. Terrific. Keep up that good attitude. It is a wonderful thing to have.

You have all been so eloquent this morning in talking here, that there are not a lot of questions. You have answered most of the ones that I had for you in your prepared remarks and the statements you have made here this morning.

You are effectively telling me that we need to be far more creative, obviously, that demands are going up, and to take into consideration low- and middle-income families and what has happened, so you are not de facto excluded from this process, just out of raw necessity, no matter how hard people are working.

I was stunned, when I went through law school. I went through in two and a half years, and I worked a 40-hour week. In fact, my wife at the time ran the Upward Bound program at the University of Louisville, Kentucky, some 20 years ago, so I am very familiar with the program, and she was getting a graduate degree simultaneously. I do not know how I did it, looking back, it wears me out thinking about it and I did not have children.

I am just stunned that here you are able to manage these things and do as well as you do. And what is so important is that taxpayers who are not in this situation may 1 day very well or were when times were a little bit easier for them, understand how important this program is to you.

I get worried sometimes, that the people understand it, the people working it or are directly involved in it, but the others who are out there who are not in the situation do not understand it and they do not realize what value it is to them.

Too often there will be the anecdotal story about the student who buys 6 stereos and 4 cars or something, or the parent who buys the summer cottage at the beach with the equity loan, etc., they said it was for student aid and so forth, and that gets the banner headlines in the newspaper. And we get inundated with calls and letters, people screaming at me at meetings, because of corrupt government and so forth. You rarely get the story about what it means to people.

It is this age-old problem that the press will write about planes that will not fly, but we do not get a lot of stories about the ones that work and the people who actually benefit and the things they are doing with their lives, how hard they are working to take care of their families or improve their own situation.

So, it takes a lot of courage to come out and talk about an individual experience, and I want you to know that. I know that it is not easy to stand up and talk about your life in front of a bunch of strangers, but it makes as big difference, because you represent thousands and thousands of people like you who cannot be here and would not have this opportunity.

So, you all have done an eloquent job and you are all part of the permanent public record of the consideration of the Higher Education Act before the United States Congress, and I thank you for being here today.

We are going to work at this legislation again, and I say to you and I said to the last panel, any ideas and thoughts, I want to hear about them and we will try and test them out and see what can be done.

There are going to be constraints. I do not have to tell any of you here what is going on in the States and what is going on in the Federal Government. We have a tremendous burden and we have got to try and sort things out here. I said this the other day, and it is true. You know, I just hope we can get the rhetoric that I hear politically, and I applaud the rhetoric, I do not minimize it, but if I

can just get people to translate the rhetoric into supporting some things in reality, I will feel a lot better.

We spend a lot of your money on a lot of things. We just saw a very successful military engagement in the Persian Gulf, and we all watched the ads on television to "Be all that you can be." We spend $200 million of your tax money for those advertisements as part of that program, and I think it does a lot of good.

It creates an opportunity for a lot of people who would not otherwise have them. I would just like to see us take some of those resources that same way and promote the idea that there are educational opportunities, as well, for people. [Laughter.]

There are two students that we did not have on our panel, and maybe they would like to share a couple of thoughts. Jane Flanders and Robert Holloway, who are here.

Jane.

Ms. FLANDERS. What I wanted to share with you was my personal story. Every morning, at 6 o'clock, I leave my house with a 43-pound 3-year-old asleep in my arms, my bag of school books, his bag, a lunchbox, out to the transit city bus. When it snows and rains, I curse my ex-husband, who is a licensed plumber.

I supported him while he went through his vocational school, and then I ended up in a battered women's shelter. I wanted ot go to work. I did not want to go on State aid. But in order for me to put my son in day care, I had to have the first week and the last week's deposit, plus a week of day care, and at his age it was $130 a week, because he was one. I could not do it, and I went in to the welfare office and I was a mess, because I had wanted more for myself.

I went to Middlesex Community College and every day I do manage to get out of the house at 6 o'clock, somehow, and I get there and I study. I am a fulltime student, I am an honor student and I am very active, and I am a work-study student. I just was accepted to St. Joseph's College in West Hartford.

With these budget cuts on top of the State budget cuts, I am really scared. I do not know how I am going to be able to get my bachelor's degree in social work. There is not a lot of money in that field, but that is what I am good at, how I am going to be able to pay for day care classes after school with my son, with the new income tax by Weicker being something like single mothers are going to be hit $1,000 more a year. On top of that, I am going to have student loans and I am never going ot be able to make it.

I look at my ex-husband, with his plumbing license, that is doing wonderful and I get angry.

I was listening to the people talk about guidance counselors in school today, and in my childhood, I was in foster homes, I did get accepted to Upward Bound. Right as I got accepted, a crisis in my home put me in another foster home. I did not know that the scholarships meant that there were programs. I thought it meant the grades, and with my movement from foster home to foster home throughout high school, I was unable to keep a grade point average that was worth anything.

So, when I learned that there was a Pell grant, and the first time I saw a financial aid form, I was really nervous. Now I know how

to do them. I have been doing them for 3 years. But it takes an education to do them.

I also have a close friend of mine who has a GED who has similar background in foster home transitions in her life. When I was looking over the files for the USSA paperwork, I saw that they are talking about an exam for people who have GED's before they can get into college institutions with financial aid. That scares me. She plays remedial classes, and it was not her fault that she dropped out of high school. She got a GED. She is scared to go to apply at the office in September, because she does not know if that law is going to be enacted, and there is no way she could pass it, and an education at Middlesex College could make a difference of her working at McDonald's or getting a job in education that she wants.

One more thing about aid from the government. The government talks about they want women to go to work and get off welfare. If I leave now and I work at McDonald's, with my associate's degree, because I am not qualified for anything with just an associate's degree, I will still need assistance for food stamps, medical, day care assistance, and things like that. If they let me get my bachelor's degree, they will not be feeding me money for 18 years for my son, I can get off and support myself.

Thank you.

Senator DODD. Very good. Thanks very much. [Applause.]

Robert Holloway. Robert, by the way, is wearing two hats, as a witness, but also as a reporter, and I will be anxious to see how you cover yourself. Speaking eloquently today, Robert Holloway. [Laughter.]

Mr. HOLLOWAY. My name is Robert Holloway. I go to the University of Connecticut. I am the editor of the student newspaper there. I have a brief statement.

Financial aid is an avenue by which many students depend on to reach their scholastic goals. At times, it has been considered to be more important than education itself. Financial aid is a necessary facet of the matriculating community. Although that has proved to be a formidable ally in the past, it is a force that needs to be strengthened and diversified, in order for struggling students to achieve academic success, especially in the currently withered State of the Nation's economy.

In view of personal retrospection, my experience with financial aid has been a limited one. For my first year of college in 1987, I applied and received an award that helped me appreciably. For my second year, I did not apply, because my application was late, and I was told by school officials that, since late applicants were considered only if there were remaining funds, it would be futile to still apply.

Since then, I have been taking summer and nondegree studies. I have also been told that virtually no money is available for students during the summer, and I know that by the fall, little to no financial aid is ever available to nondegree students.

Despite the inability of my parents to contribute toward my college education, my available source of employment has kept me in school, and without budgetary complications. However, many people have not been as fortunate as I have. Many of them have

either been unable to afford college, to enroll in a school of their choice, or forced to attend a less expensive regional campus, because they were denied financial aid. The financial aid office assumes that parents can contribute to the child's education, but this is not always the case.

Of all the students that I have known and met, I would say that about 99 percent of them have jobs that they must keep to support college. Some have more than one. There are even those whose decision on where to go for schooling is based strongly or perhaps solely on the amount of financial aid that they receive.

Financial aid has become more a waning hope, than a means of monetary assistance. It should be available to all students, as well as those who meet the application deadline and are in a degree-seeking program. Financial aid funds should be increased and given to more students. Also, perhaps the word "need" is pending a new definition.

In this time of cuts and compromises, financial aid should neither be neglected, nor deemed unworthy of fighting for.

Thank you.

Senator DODD. Thank you very much, Robert.

Jane, I should point out to you, you were talking about the ability to benefit problem, and I would just tell you, there is no other way to describe it, it was a mistake. It certainly was not intentional a year or so ago, when that ended up in the legislation, and steps are already being taken to reverse that, so that will no longer be a problem, and it really was unintentional. It is just one of those things that no one stepped forward, no one pointed it out who watches the legislation, and we are reversing it. It was included in last year's budget bill by mistake, just a drafting mistake.

Thank you all very much. I hope that those of you who have come from outside of Connecticut, have found this to be of interest to you, to hear people's testimony from within our State today. I presume you could hold a hearing in any one of the New England States and duplicate what you have heard here this morning from your own constituencies, but I found it very worthwhile and very helpful.

Again, I am deeply grateful to each and every one of you for taking time and preparing statements and coming out this morning to share your own personal experiences with us.

I do have some statements from some people who could not be here today, and those statements will be made part of the record of the hearing.

[The prepared statements referred to follows:]

PREPARED STATEMENT OF MS. LEWIS

My name is Catherine Lewis. I am a student at Mohegan Community College in Norwich, CT. I am a single parent that is struggling financially to support my family and continue my education, like hundreds of other single parents.

All of my adult life I have been self sufficient and have been able to help others. Due to circumstances beyond my control I had to apply for financial assistance so I could continue my education. This has been very embarrassing for me and for many others that are in the same position. But without financial aid we will not be able to continue our education and complete a degree.

I, like most others in my position do not want to become a burden to anyone. We do not want handouts all we want is to become self sufficient again. We want to

develop a marketable product, OURSELVES. Federal grants for education is the only reasonable way for us to acquire an education. We can not handle loans. We are on our own, we have no parents to help us. We struggle to support our families, this makes loan consideration inconceivable. Grants for education are the only way for us to proceed. Many of us have to be part time students due to parental responsibilities. We have to divide our time between our children, classes, studies, and part time work. Federal grants make it possible for us to be students by supplying us with funds to pay tuition, and to help with the routine expenses of raising a family. The reduction of federal grant money would make continuing education only a dream which most of us would be unable to attain.

Prepared Statement of Ms. Syphrett

My name is Tamora Syphrett, and I am a student attending Mohegan Community College. In my job outreach worker, I see many families who are concerned with the ever increasing costs of a college education. In my own situation as a mother of five children in a State and a country that is faced with recession, the future is somewhat precarious as to whether our family will be able to fund the college tuitions of our children.

I have met many mothers whose situations are far more difficult than mine because they are single heads of households. This year, should aid be cut, many will not qualify for financial aid because they are the non-traditional students and are not able to take a full course load of twelve credits. Simply put, a single head of household with children cannot handle full time, but yet they are desperate and eager to begin somewhere, and if necessary take one course only. This single head of household will be totally cut out of all financial aid and therefore find college education inaccessible.

One woman I visited has a son attending Mohegan Community College. She has high hopes for him. My friends name is Mary. As a single head of household with four children, she is finding it extremely difficult because she has been laid off from her job as a factory worker. Mary has taken GED courses and had hopes of going to college. One of her sons has already had one semester at Mohegan Community College, but what about his future and Mary's should federal aid be cut?

With the smaller financial aid allocations, we can anticipate that the financial aid dollars will be spread very thin with average allocations per student being much smaller. The net result will be increased hardships on many families.

What are Mary's son's alternatives? Instead of being the generation to improve, perhaps his will be the generation that takes a step backward. We cannot pretend that the repercussions of financial aid cuts will not have many long-range side effects to the individual, the family, our cities, State and nation. To cut funding for educational programs will futher maim the economy and slit the throat of the progress of our Nation in the years that follow.

I would like to hope that we will be able to count on your support for education in this time of hardship for the many who seek the goals of self-sufficiency and career success through education.

Thank you.

Prepared Statement of Ms. Terry

My name is Sandra Terry. Before I convey my concerns to you, I feel it is important to relate to you how I arrived to where I am today. This is because my story is not unique, and unfortunately is becoming very very typical in our society

I am a veteran of 8½ years of the Armed Services and until 2 years ago was active in the work force. I am now 33 years old, divorced and the mother of 2 young girls. I am the head of my household without any extended family living locally and have a very limited support network. After my divorce, I struggled for 2½ years to support my children and myself without any child support or help. I became financially strapped and finally due to the hospitalization of my daughter and loss of employment, my last resort was to request State assistance. Although I was not in the AFDC targeted group mandated for the Job Connection Program, I chose to utilize this program to expedite my entering back into the workforce with marketable work related skills.

Thus, I started at Mohegan Community College in the Spring of 1990. I have been accepted and will transfer to Eastern Connecticut State University in the fall. While at Mohegan I have achieved high honors and still struggle to maintain a high academic standing.

Since I am on State assistance, the Job Connection Program requires that I complete my studies in 36 consecutive months. For me this means I must maintain a full academic load each and every semester.

My two concerns are this:

First: Without financial aid including Pell grant monies and the Job Connection Program, it will be virtually impossible to continue my education.

Second: In reference to the proposed State budget. The impact of these cuts on education will cause a subsequent reduction in classes available to students. This will mean a withdrawal from college before my program of study is completed.

Job Connection and its participants enter a contract agreement that mandates, upon completion of 36 months of studies, we must be employed within 30 days. With possible loss of financial aid and reduction in classes, gaining marketable skills within these time constants will be impossible.

As I stated previously my story is not unique. Currently there are 150 Job Connection Participants enrolled just at Mohegan Community College and this number has consistently increased with each semester.

My ultimate goal is to obtain marketable skills and go off the welfare system forever. I am asking you for the privilege and opportunity to complete my education and for myself and others in my situations, to make a contribution back to society by being a productive citizen.

Prepared Statement of Ms. Diana Duquette

I am a student at South Central Community College with a 2.5 QPA. I am the mother of five children under age 10. They are the reason I have returned to school at 32. I have been balancing school and home well. I am a low income mother and haven't had a full time job since 1981. I plan on being employed full time in 1993 when I finish my RN degree. With out a Pell grant, I will not finish school nor will I be able to work full time at a job that pays enough to live.

I am hoping to move on to Quinnipiac in the fall. With a cut in financial aid and the cost of $4,500 per semester I can not borrow or plan to attend and have the great American dream that all U.S. citizens should have whether their QPA is 2.0 or 4.0.

Please assist me in my dream as I've assisted you in yours and vote no on financial aid cuts so I can be a nurse and stand on my own two feet. This will also remove me totally from AFDC which I'm sure is what we need more of.

Educate and Stop Welfare. Don't educate and we all remain in a system that can't afford us. We all don't want to be there.

Thank you for giving me some of your time.

Senator Dodd. Again, we will leave the record open, if there are any additional questions or comments you want to add will be able to do so as part of this record.

As was pointed out, I think, by one of our earlier witnesses, we are going to take time this year, we want to do this one and make sure we do it correctly and put together as good a bill as we possibly can. It is not going ot be everything everyone wants, you know that, obviously, given the constraints we are under. But if we can really deal with some of these underlying questions here and open up that process a bit more for people, I think we will have done a good job, so this hearing will make a significant contribution to that effort.

The subcommittee will stand adjourned until further call of the Chair.

[Whereupon, at 12:30 p.m., the subcommittee adjourned, subject to call of the Chair.]

REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965

THURSDAY, APRIL 11, 1991

U.S. SENATE,
SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES, OF THE
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:01 a.m., in room SD-430, Dirksen Senate Office Building, Senator Claiborne Pell (chairman of the subcommittee) presiding.

Present: Senators Pell, Dodd, Simon, Bingaman, Wellstone, Hatch, Kassebaum, Jeffords, and Cochran.

Senator PELL. The Subcommittee on Education, Arts and the Humanities will come to order.

Our colleague from Illinois has a very real conflict, so I will open the hearing by recognizing him.

Senator Simon.

OPENING STATEMENT OF SENATOR SIMON

Senator SIMON. Thank you very much. I apologize to you, Mr. Chairman, and I apologize to Secretary Alexander. We are marking up both in the Judiciary Committee and in the Budget Committee this morning, and at least on the latter, I know you have more than a casual interest in what is going on.

Senator PELL. That's right.

Senator SIMON. Let me, if I may, just make some candid observations having looked through your statement. Someone who looked through your statement said it looks like in the field of higher education, Lamar Alexander is not putting his mark—he is putting his rubber stamp. I think that in fairness, you are brand new in this field, and I don't expect you to come in and say "I differ with what has already been proposed on 1, 2, 3, and 4." But I think there are real concerns that if we proceed down the path that has been outlined by the administration, what we are going to do is just tinker at the edges in higher education rather than do anything substantial. And frankly, the times demand that we do something substantial.

You mention at the beginning of your statement the GI Bill after World War II. It is very interesting that in fiscal year 1949, we spent 9 percent of our Federal budget on education. If you exclude the school lunch program, we are now spending 3 percent of our Federal budget on education.

The GI Bill after World War II paid tuition completely plus cost of living. We are a long way from where we were then.

You talk about excessive student loan defaults. Real candidly, much of the responsibility for that rests with the Department of Education, and I am pleased to see some of the restructuring that you are doing, and it looks to me like you are getting hold of that, and I applaud you.

You mention here—and I have a little concern here—access to an institution that produces mostly dropouts, not graduates; you are critical of that. There are a lot of young people, for example—and not just young people, but older people—who may go to a community college for 1 year. I guess you call them dropouts. But they have enriched themselves and, I think, ultimately enriched our society.

I am less concerned than some with that.

I am concerned about the general thrust of where we've gone in loans versus grants. We have gone from 76 percent of our student aid being grants to today 67 percent being loans. That has all kinds of policy implications that are not good in terms of what priorities people make. For example, whether you are going to decide to become a social worker or a lawyer—it is pretty easy to say which will help you be able to repay that loan; or do you serve in a community of great need, where the pay is poor, or a community where the needs are not so great?

Loans are a barrier. We know from studies very clearly that students who are in college on grants are much more likely to stay than students who are in college on loans. There is no question about that. So that shift that has taken place I think has been adverse to the Nation's interests.

Now, I know you can't just dramatically shift back to the former percentages that we had, but I think we should be moving in that direction.

The purposes you outline on page 5, I applaud, as well as your suggestion of simplifying; I think that's great.

You talk about the proposal on the Pell grants to go from $2,400 to $3,700, but you also knock out 400,000 students from the Pell grants. And in Pell grants, we have gone from the basic grant, 46 percent of college cost, down to about 25 percent of college costs right now. Different people put numbers together differently, but on the Budget Committee as we are going down—and I was just at a meeting yesterday with the chairman and the staff where he outlined the various items—in terms of the CBO baseline, the area that has the greatest cut in the administration's program is Function 500, which is the education function.

The proposal to knock out SEOG and knock down college work-study 33 percent, I think is a real mistake.

When you say the administration is proposing to share the risk of borrower default with the States, I'm cautious. I am concerned about States like Nebraska that are virtually doing nothing for their students yet. I don't want to put additional barriers to States that are not providing assistance.

Precollege outreach—good. Graduate fellowships—the whole field of how we encourage Americans to get into graduate education, we have not really dealt with that.

Well, I think these are basically my comments. I guess what I am presenting to you is my great concern. I want to do something that really meets the national need. I know you want to do something that meets the national need. I think what we have so far from the administration does not even approach that. I think we have to do something that is appreciably more dramatic and exciting than is outlined here.

Thank you, Mr. Chairman.

OPENING STATEMENT OF SENATOR PELL

Senator PELL. Thank you very much, Senator Simon.

Now I will give my opening statement and we'll move on from there.

It is a pleasure to have you before the subcommittee, Mr. Secretary. We look forward to your testimony and to learning about the specific proposals of the administration for reauthorization of the Higher Education Act.

At our initial reauthorization hearing on February 21, I outlined 11 different concerns to be addressed in the course of our work. Some of them I believe need to be re-emphasized this morning.

Of paramount concern to me and many members of the subcommittee is the tremendous imbalance that continues to favor loans over grants in helping needy students pay for their college education. This is a point Senator Simon just made, and it is a very, very valid one.

Over the past decade, too, the value of the Pell grant has declined considerably. Where in 1980, just 10 years ago, it covered just over 40 percent of the costs of a college education, today it covers only about 25 percent.

Clearly we must reverse that trend. The grant must once again be the primary source of student aid for needy, deserving students, and I am hopeful that we can enlist the administration's help in achieving that goal.

In that regard, I am very concerned with the administration's fiscal 1992 budget proposal that would drop more than 400,000 students from the Pell Grant Program. This is moving in precisely the wrong direction. We need larger Pell grants for more students, not larger grants for fewer students.

I am also concerned that the heavy reliance upon loans that has developed over the last decade has put many students deeply in debt and driven them away from teaching, social work and other public service occupations where the pay is simply insufficient to meet living expenses and also repay student loans. We must look seriously not only at more adequate grant assistance but also alternatives such as loan forgiveness for such individuals.

In addition, if at all possible, we must extend at least some grant assistance to hard-pressed middle-income families. These families are finding it increasingly difficult to pay for a college education, and we should not turn a deaf ear to their needs.

In 1978 we passed the Middle-income Student Assistance Act, which has been all but obliterated in the years since by the inattention paid to it by both the administrations and by us on the Hill.

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The loan program must be returned to its original purpose—a supplemental program to help middle-income families pay for a college education. It should not be a program for at-risk students who are the ones most likely to default and least able to repay their loans.

We must also act to make sure that quality is a byword in higher education. No student who receives Federal student aid should have to worry about the quality of his or her college education. This means a stronger Federal role in prescribing standards for accreditation, certification and licensing. It also means a stronger, more diligent monitoring of programs by the department.

I am heartened by the decisive action you are already taking in this area, Mr. Secretary, which marks a refreshing change from the past.

Over the past decade, we have also seen a most disturbing decline in the number of minorities pursuing a college education. This occurs at just the time that minorities comprise an increasingly large part of our population. It is clear that the need for early intervention and continued assistance has never been greater.

The TRIO programs are among our most successful programs of intervention for minorities and the disadvantaged. Their record is enviable. They represent a strong and viable partnership between the Federal Government and institutions of higher education. We must not endanger these successful programs, but expand and build upon what is already in place.

Mr. Secretary, as you know, Federal student aid is crucial to the college aspirations of millions of young and adult Americans. The Federal Government accounts for over two-thirds of all financial aid available to help students pay for a college education.

To my mind, it is time to renew and strengthen our commitment to make sure that every individual in America who has the talent, the drive and the desire can pursue the post-secondary education that best suits their need, and that a lack of personal finances will not stand in their way.

I see we have been joined by the ranking minority member of the full committee, Senator Hatch. Welcome.

Opening Statement of Senator Hatch

Senator Hatch. Thank you, Senator Pell.

I want to welcome you, Mr. Secretary, Mr. Sanders, Ms. Christensen. We appreciate having you here, and we appreciate the revitalization you are already bringing to the Department of Education.

Frankly, Mr. Secretary, you have already exceeded my own very heightened expectations about a quick start. You have started to do a number of things that really needed to be done. I'm sure it is going to take you a little while to feel your way around that organization; there are a lot of challenges facing us in education. I just want to tell you how much I appreciate the way you have grabbed the ball and are starting to run with it. You have excellent people working with you.

So we welcome you here today. Anybody who knows you knows that you are not a rubber stamp for anybody. I know you are going

to put your own stamp on what is going to happen around here. I think it is going to be a very, very good stamp at that.

The accessibility of higher education is one of the best opportunities that we can provide to our children if we want them to succeed in our society. And as we move to reauthorize the Higher Education Act, I think we need to review current programs to ensure that within available funds—and that is what we have to talk about—you are very limited in what you can do unless we can find some offsetting way of getting you more funds to do more. Within available funds, we should provide opportunities for a quality education to all eligible students.

Educational opportunity, in my opinion, needs to be available in a variety of forms involving both long- and short-term programs.

I am pleased with the variety of quality programs available in my own home State of Utah to meet the varying needs of students, business and the community. These programs are available in both the private and the public sectors. Students are able to make good choices about the type of institutions they wish to attend and the community in which they want to live.

I hope that as we work together to rewrite legislation for higher education, we will keep in mind the importance of student access and choice in the selection of institutions. We also need to build in accountability measures for all those involved in the student loan program—we all know that is way overdue—including students, institutions, lenders, guarantee agencies and servicing units.

I look forward to reviewing your testimony. I am going to be involved in a fairly intensive Judiciary Committee meeting right after this, but I will certainly review your testimony, Mr. Secretary, and that of your associates here today.

I am personally very delighted to have you onboard, and I look forward to working closely with you to make the higher education system more available and responsive to the needs of all of our students in this society. If anybody can do that, I think you and your team can.

So we look forward to giving you the resources and the support from up here that will help you to do the job where you are so that it can be done right. I look forward to working with you.

Thank you, Mr. Chairman.

Senator PELL. Thank you very much indeed.

Senator Bingaman.

Senator BINGAMAN. Mr. Chairman, I have no opening statement. I'd like to hear the Secretary.

Senator PELL. Thank you.

Senator Cochran.

Senator COCHRAN. Mr. Chairman, I have no opening statement. I welcome the Secretary and look forward to the testimony and working with him on the reauthorization of the Higher Education Act.

Thank you.

Senator PELL. Thank you.

Mr. Secretary, the floor is yours. We welcome you and look forward to a productive and salubrious relationship over the next few years.

STATEMENT OF THE HON. LAMAR ALEXANDER, SECRETARY, U.S. DEPARTMENT OF EDUCATION; ACCOMPANIED BY TED SANDERS, DEPUTY SECRETARY, AND SALLY H. CHRISTENSEN, ACTING DEPUTY UNDERSECRETARY FOR PLANNING, BUDGET AND EVALUATION

Secretary ALEXANDER. Thank you, Mr. Chairman.

I appreciate the privilege to appear here, and I know there is a lot going on today in many different places, and I want to thank each of you for coming because this is important, and I'm glad to have this chance. This is my first hearing after the confirmation process, and I have looked forward to it, and I look forward to working with you and the members of this committee.

This committee has a distinguished tradition of bipartisanship, and I hope we can continue that.

Senator PELL. It has been bipartisanship both ways, but it takes both ways to make it work.

Secretary ALEXANDER. That has always been my understanding of it, Senator.

I would like to introduce, if I may, three people who are with me. One is Ted Sanders, who is the Deputy Secretary. And I appreciate the comments that Senators Hatch and Simon made about the work done in connection with student financial aid and the organization of it. I am glad to be able to take some action in my first few weeks in connection with it. But the truth is a lot of that work was done before I got here. Mr. Sanders and some of his associates in the Office of Management and Budget deserve most of the individual credit for that and ought to have it, and I'm delighted that he is going to continue to be a part of the administration; I think he brings a lot of invaluable experience in education, and I'm glad that he is here today.

Sally Christensen is here. She is a veteran member of the department, the acting deputy secretary for Planning, Budget and Evaluation. They will help me on more specific programs and activities.

I would like also if I may, Mr. Chairman, to present two other people to you who are important. One was mentioned earlier, Mike Farrell, and Mike, if you would please stand so they can become familiar with you. Mike has agreed to become the point person for student financial aid in the department. He is working as a special assistant to me. He is the Deputy Assistant Secretary in charge of approximately 1,000 employees and the spending of about $10 billion new taxpayers' money each year. His primary credential is that he has a strong background in management, many of you told me as I went through the process that that was what was needed there, was a strong management criteria. He is Acting Assistant Secretary for post-secondary education until the President nominates someone for that position. Mike won't be that person—he has his hands full—and the President will be nominating someone for that position with a background in higher education matters, and I hope that Mike and that person will be able to work closely together. But I wanted you to know him. He is onboard now; this is his first week.

And Bill Hansen is here also. I think Bill is a familiar face. He is the acting assistant secretary for Legislative Affairs, and I wanted you to be sure to know him.

I wanted to mention, too, how pleased I am that the President has announced his attention to nominate David Kearns to be the Deputy Secretary. He hasn't sent his name up yet but I think he and Ted Sanders will provide a very strong response to the concern I have heard from many of you about organization and management of the department.

Senator Simon's comments about then and now made me think back to then and compare it to now. His suggestion was that it was a little different than the way I remember it. I can remember 1958 very well. It was the year I graduated from Maryville High School in the mountains of east Tennessee. It was the same year the National Defense Education Act was passed. I believe, Senator—and you can correct me on my history—that was the first step, at least after the GI Bill and some other things, in terms of higher education support, student aid, the way students would look at it, some help in going to college.

Then I graduated from law school in 1965, which was the year that the Higher Education Act that we're talking about first was enacted. So when I was in college and law school, we didn't have any of this, except for the National Defense Education Act, at all. That was then—for me, anyway—and I thought about now. As president of the University of Tennessee for the last 3 years, I have noticed that about 8,000 of the 25,000 students on our campus in Knoxville have a Pell grant or a Federal loan, about a third of all those students. I guess virtually none of those did at the University of Tennessee in Knoxville when I graduated from high school or when I graduated from law school.

In addition to that, those students at the University of Tennessee at Knoxville, where the total cost of going to college is about $7,300 according to our financial aid office there, and where the tuition for students is still less than $2,000, which is not atypical for a large State land grant university, the taxpayers of Tennessee pay about 70 percent of the cost of operating that institution. So every student who attends UT-Knoxville has 70 percent of the cost paid by the taxpayers through the State government and then 8,000 of them have in addition to that Federal grants or Federal loans. So I think that is a remarkable success story in terms of the progress that we have been able to make in America during that time, and we have seen that reflected in terms of who goes to college. I saw an entrance exam for college for 1921, and it was in Latin; students had to answer the questions in Latin for a college entrance exam. I would suppose in 1921 about one percent of Americans even got a college degree. When I graduated from high school in 1958, at the time of the National Defense Education Act, my guess is about 3 or 4 percent of adult Americans had a college degree.

Still today in our State, and I suspect throughout America, about 20 percent of adult Americans have a college degree; yet we have 13 million Americans going to our colleges and universities today and another 3.5 million in other post-secondary institutions. And obviously the intervention of the Federal Government has been a major factor in that, not just the idea of more money, so that

money is not a barrier to college for less affluent Americans, but the idea of choice, which was introduced in 1973 with the Pell grants, or the idea that students might have a chance to choose among a large variety of colleges and universities and other post-secondary institutions. That indeed has increased the variety of opportunities that Americans have.

So I hope that this committee and the President and the taxpayers all feel good about what has happened since 1958 and 1965. This is a time to reflect accurately, I think, in perspective, and basically we have gone from having virtually no Federal aid for students who wanted to go to colleges and universities to a situation where about half of all Americans who attend colleges and universities have a Federal grant or a Federal loan, and more than three-quarters of those also attend public institutions where the taxpayers may pay from 40 to 70 percent of the cost of operating that institution.

That has given us, at a time when people all over the world are concerned about the quality of education, not only a great amount of access but a great amount of quality, too, because as President Bush has said and as many of you have said and believe, we have in America the largest, most creative and best system of higher education in the world, and are really the only major country in the world with a large system of private education from which students may choose, too.

But there still is a great deal to do. I think it is important to note that the goals which the President and the governors adopted at their summit in Charlottesville recently, and which Congress subscribes to, I believe—at least, that's what the members have said to me—has in its goal number five the importance in America by the year 2000 of every adult American being able to compete and exercise the responsibilities of citizenship in a global marketplace.

We are very fortunate as we think about that to have a large system of post-secondary education available so that people can go back to school. We often talk about children when we talk about our educational needs, but if the world has changed so that our children need to know more and be able to do more, so has it changed for us also. Increasingly, I saw at the university where I was more and more students coming back to school at an older age. One-third of the students at the university were over the age of 25; 60 percent of our students in the community colleges are over the age of 25; graduation rates are generally becoming not a very important indicator of much of anything anymore because what I heard at commencements as the diplomas were being given out, the cheer: "Way to go, Mom" instead of Mom saying "Way to go" for the son or the daughter. It is becoming increasingly typical for a graduate to be a single mother who started in 1981 and finished in 1989.

I say all that because this is a time for reflection and for setting of priorities and for revision for a period of years about what must have been one of the most successful programs that the Federal Government has been able to have.

Another example of what the times are—at the Saturn plant, the General Motors automobile plant, in Tennessee, employees were

surveyed about what they would like to do, and 85 percent said they wanted to go back to college. When asked why, most of them gave two reasons—the first was job improvement, but an equal number said something else that had to do with making a life as well as making a living.

So a great many adult Americans see the Hubble telescope way out in space and want to know more about why it was there. We find ourselves living in a world of people with many different backgrounds, and they want to learn another language or about another culture, and they go back to post-secondary education at a college or a university to learn something about that.

That brings us to the specific recommendations, which I have summarized in my statement, and I have given a statement to each member of the committee, so I think the more appropriate thing for me to do is be very brief in summary about those items and certainly not go through the whole statement.

Senator PELL. I appreciate that very much, and the full statement will be put in the record as if read.

Secretary ALEXANDER. Thank you, Mr. Chairman.

In terms of the grants and the loans, Mr. Chairman, I think it boils down to this. Given the vast increase that we have in the Federal grants and loans that are available to Americans and the large State subsidy to operate public institutions which two-thirds of the college and university students attend, which 3 million or so Americans this year should receive about $6 million in Pell grant money, and which 4 million ought to receive the benefit of the new $10 billion in taxpayer money we'll be spending on loans. I think because of the limits that the Congress and the President have agreed upon about budget, we don't have very much flexibility about how much money we have. So far as I can tell, there is a pretty big debt here, so that wouldn't allow much more spending unless there were a lot more taxes. So I think it is a question for the committee, and we'll be glad to help in any way we can to figure out how should we divide up the $6 billion in grant money and the $10 billion in loan money to do the most good.

Talking about the goals, then, that we've just talked about, we ought to keep in mind, given the State subsidies and the generally low cost of public institutions in America, that the principal goal is to help Americans move from the back of the line to the front of the line; that's what you do with education in the American democracy. We want to keep money from being as less of a barrier as possible in an American deciding whether to further his or her education. We would like to preserve and encourage a wide range of choices as a great American tradition. I think while doing that, we need to keep a special eye on quality. It is okay to say we have the best system of higher education in the world, but obviously we have many places we could improve it.

While we are helping individual students, we need to watch out for the health of these institutions, and we have some programs that do that; and then I think the taxpayers would have the right to say to us, if we're going to subsidize public universities to the degree we are, and if we're going to go from virtually no Federal grants and loans to one for one out of two college and university

students, let's make sure we're spending it wisely and not wasting the money.

And finally, I think a common complaint from the families of the students I used to work with is: Is there any way to simplify this whole thing? Here you are, asking us to make these grant and loan applications in a fairly incomprehensible form, and for families who have little education in the first place, it makes it even more difficult, and that indeed may even be a barrier to many of those families having the opportunity to continue their education or for their children to.

So it is in that light that we make our recommendations this year. As you know, I arrived with the budget—or in fact it got in a little ahead of me—so I'm just phasing in to all this. But contrary to what Senator Simon said, I know what a rubber stamp is, and that's a good part of my job. I wasn't elected to anything like he was or like you are and like President Bush was. I was appointed by the President, and it is my job to argue and to advocate and to help the President and the administration criticize and evaluate and analyze, and then after that is all done it is my job to come here and advocate and explain it and help defend it and hopefully pass it. So that is what I will be trying to do.

Our first recommendation, Mr. Chairman, is to target the grant money to the people who need it the most; spend that $6 billion in Federal grant money on approximately 3 million individuals from families who need it the most. That would permit us to increase the size of the Pell grant from $2,400 to $3,700 for the neediest; that is a 54 percent increase. It would mean that a majority of the funds would be going to families who make less than $10,000 a year, although the amount of money that would be going to families making less than $20,000 a year would increase slightly. That is point one—taking the available money and targeting it to the people who need it the most. That is pretty hard to argue with. It also gives us the chance to increase the amount of money that an individual needy student could get.

Second, we would increase the loan limits for middle-income students in the first and second years by about one-third, from $2,600 to $3,500 a year.

Third, we would like to reward merit. That would have the advantage of increasing the amount of money that a student from a disadvantaged family who does exceptionally well would have to go to college—$500 more for the top 10 percent of the applicants for the Pell grants, and 20 percent of those who have Pell grants after they are in college could qualify for this extra $500.

To get this out of the abstract down to the concrete, it would mean that the University of Tennessee at Knoxville, for example, where the cost of college might be a little over $7,000 a year, that a Pell grant recipient who needed it the most, who qualified for a Presidential Achievement Scholarship of $500 more, would have $4,200. That gets back up toward the percentage that you talked about earlier in your own statement, Mr. Chairman, or might surpass it.

A couple more principles in terms of respect for the taxpayer. We want to try to put a little more meaning into the statutory re-

quirement that students make satisfactory progress toward a degree.

We have talked about the proposal that was in our budget document that would say that would be only the top 90 percent of those who had Pell grants. We're not really very pleased with that way of going about it; it is not so easy to do, and we are still working with that. We'd like to work with you and come up with a better way to put meaning into that requirement. I notice the NCAA is having the same sort of trouble in trying to put some meaning into the satisfactory progress rules with student athletes. It is not easy to do. And if we just put an arbitrary 90 percent in, there is a great difference in what the top 90 percent might achieve at Harvard and what the top 90 percent might achieve at a different type of institution, and equity requires us to take some more look at that.

We want to define the independent student more properly.

We want to completely overhaul the management of the Guaranteed Student Loan Program. Hopefully we will save money, waste less money and be able to use that money for the benefit of students.

Fifth, simplicity in the forms and in the application process is important to us. We want to keep working on that, and that is one of Mr. Farrell's main goals. But this year we would propose a single need analysis for grants and loans that would be helpful to families; in other words, they wouldn't have to fill out two. If they filled it out for a grant, the same analysis would be available to evaluate whether they would be able to apply for a loan.

Sixth, we would continue the campus-based programs. There would be an increased match for the States, that's true, but it would target on students with the greatest needs and continue those very useful programs.

Seventh, we would consolidate the graduate fellowships, and we would also propose consolidating programs in the TRIO category. We recommend more money for those as we did last year, but we think they will work better, this business of colleges working with high schools and middle schools to try to figure out ways that teachers and students in high school and middle school can know what colleges expect of them, so that those students may be more likely to continue their education after high school.

In Tennessee we were doing some work with the college board on that, and I can assure you that it would be almost a certainty that any way of doing that developed from a distance by well-meaning people would be less effective than any way of doing it developed by well-meaning people closer to the situation. So we would like to build on the good work that has gone on before and increase the amount of money and give the colleges and the high school counselors and teachers in communities a chance to work together with more flexibility to help their students move on up to college.

Mr. Chairman, that is an overview of a very important bill, and as a newcomer, I would simply like to congratulate you personally for your long role in all this—I think I can do that once without seeming to be inappropriate—and to this committee for its support of the program. I have seen it work. I have seen it help at least a third of the students on the campuses where I have been, and I look forward to working with you to help increase the opportuni-

ties for American students of all ages to have a chance to continue their education.

[The prepared statement of Secretary Alexander follows:]

PREPARED STATEMENT OF SECRETARY ALEXANDER

Mr. Chairman and members of the committee: It is a pleasure to be here today, and to have this opportunity to talk about the Administration's plans for reauthorizing the Higher Education Act of 1965 (HEA). As you know, before President Bush appointed me to the position of Secretary of Education, I had the good fortune to serve as President of the University of Tennessee. So it is with a special interest, and I hope an extra measure of understanding, that I come before you to present our proposals for improving the availability and quality of post-secondary education for all Americans.

What I would like to do today is place the reauthorization of the Higher Education Act in some perspective, outline the principal themes of the administration's reauthorization plan, and then describe some of the key proposals in that plan.

HISTORICAL PERSPECTIVE

As members of this committee so well know, the Higher Education Act of 1965 was a bipartisan commitment to post-secondary education that had its origins in the GI Bill for World War II veterans and, more recently, the National Defense Education Act of 1958 (NDEA). The launch of Sputnik in 1957 had sparked great national concern about our ability to compete with the Soviet Union in fields of advanced technology. With the help of Federal education support provided through the NDEA, America met that challenge, putting a man on the moon a little more than 10 years later, and forging a lead in advanced research and technology that continues to this day.

In the 1990's, however, our task is to maintain—and in some cases to recover—our lead in the fiercely competitive environment of what we now all recognize as a global economy. Success in this competition, as in that earlier challenge dramatized by Sputnik, will depend in no small measure on the access of all Americans to post-secondary education, and on the quality of that education.

While the National Defense Student Loan Program of 1958 was the first Federal program to provide general financial assistance to undergraduate students, the Higher Education Act of 1965 has created a comprehensive framework for Federal post-secondary assistance to both students and institutions of higher education.

Just to give you an example of the growth in size and scope of Federal post-secondary programs that was made possible by the HEA, consider this: In 1959, the total appropriation for student financial aid was $31 million—all of it for the National Defense Student Loan Program, now known as the Perkins Loan Program. For fiscal year 1992, we are requesting $12.6 billion for nine student aid programs that will generate $19.7 billion in aid for 5.7 million students.

Over the last 25 years, HEA programs have contributed greatly to improving access to post-secondary education. At the University of Tennessee, for example, some 8,000 out of roughly 25,000 students—both full- and part-time—are receiving Federal grant and loan assistance during the current academic year. That's one-third of all UT students, many of whom undoubtedly would not be attending this or any other institution of higher education without the programs authorized under the HEA.

Federal support for post-secondary students also has contributed to a tremendous expansion of educational institutions participating in Federal student aid programs, from approximately 3,000 traditional colleges and universities to approximately 8,000 post-secondary institutions offering a wide variety of programs and career training opportunities. I believe this expansion is a healthy development that reflects the growing need of the American workforce for post-secondary education, as well as a growing competitiveness that the quality of education across all types of institutions. This is why President Bush has said that "our higher education system is clearly the finest in the world—creative, innovative, and highly competitive."

However, there are important issues that must be addressed as we review the Federal role in post-secondary education during this reauthorization process. First, we must restore public confidence in the integrity of our student aid system by addressing such serious problems as excessive student loan defaults and institutional abuse of Federal aid programs. Second, we must ask not only, "do our students have access," but also "access to what?" Access to an institution that produces mostly

dropouts, not graduates, or produces graduates that are not employable in the fields for which they have trained? Or access to an educational program that is responsive to the needs of both students and the Nation?

Third, we need to take a step back and ask ourselves, "what do we really need from our higher education system?" We live in a rapidly changing world, where everyone must know more and be able to do more in order to participate in America's economic and social life. And I'm not talking just about children here, or the 18- to 22-year-olds that traditionally have constituted the vast majority of post-secondary students. Many adults will need to change careers several times in their lifetimes, and higher education must be prepared to help them meet that challenge. To put it another way, in an age when changes in technology occur almost overnight, we must work to see that our citizens and the post-secondary institutions they attend keep up with those changes.

Themes of the Administration's Reauthorization Plan

The Department of Education has undertaken a thorough review of all current Higher Education Act authorities that expire at the end of fiscal year 1991. This review was a comprehensive and open process that included substantial input from schools, lenders, guarantee agencies, States, the higher education community, and the public. The department sought to gather the best ideas and information from all who are concerned about the challenges facing higher education during the coming decade.

As a result of this effort and with a view toward incorporating in our proposals the principles and goals of the President's message on Building a Better America and the National Education Goals that relate to post-secondary education, the administration developed several themes that have guided our proposed changes to the HEA. These include (1) improving access to post-secondary education for all Americans, (2) improving educational quality and rewarding excellence, and (3) ensuring integrity and improving service delivery in all HEA programs.

We would *increase access to post-secondary education* by targeting grants to the lowest-income students, by expanding precollege outreach and retention efforts, and by simplifying the student aid delivery process.

Our reauthorization proposals seek to *improve the quality of higher education and reward excellence* by promoting greater accountability on the part of both individuals and institutions, by rewarding individual achievement, and by enhancing choice and flexibility in higher education programs.

In this regard, we must take a hard look at the players we have traditionally relied upon to ensure quality: The accrediting agencies and the State licensing bodies. We are evaluating the extent to which the system has worked, and will decide what course of action should be taken to achieve consistently high levels of educational quality throughout American higher education.

Finally, the administration's reauthorization plan includes a variety of provisions designed to *ensure the integrity of HEA programs*, particularly the student loan programs, and to *improve the delivery of services* under many of these programs. These provisions will safeguard Federal resources at all levels by requiring sound management practices and emphasizing accountability by individuals, institutions, lenders, guarantee agencies, and States.

As I describe some of the specific changes that we are requesting, you will see that most of our reauthorization proposals reflect more than one of these themes.

Highlights of Administration's Reauthorization Plan

Federal resources should always be used first to help the lowest-income individuals and families. Research shows that low-income students are the most affected by rising college costs, and that grant aid can make a positive difference in whether they enroll in and complete post-secondary programs. This is why we are proposing, for example, to make Pell grant awards more sensitive to the incomes of families and students. We also would increase the maximum award by 54 percent, from $2,400 to $3,700, to better ensure access and expand educational choice for students from low-income families.

In addition, we are proposing to promote high academic achievement among needy students through a new *Presidential Achievement Scholarship Program*. This program would provide a merit-based award of up to $500 for high-achieving Pell grant recipients. The lowest-income Pell recipients who are academically outstanding could receive as much as $4,200 in annual Federal grant assistance, apart from the Supplemental Educational Opportunity Grants that would continue to be awarded by post-secondary institutions—with priority to Pell grant recipients.

For the neediest students, this increase in grant aid would significantly reduce their need to borrow. However, for Pell Grant recipients who wish to attend higher cost schools, and for those students who do not qualify for Pell grants, we would raise the loan limits under the *Guaranteed Student Loan* (GSL) Programs. First- and second-year Stafford Loan borrowers would be able to obtain up to one-third more loan assistance than currently available. Loan maximums in subsequent years would rise by 25 percent. Limits on the less subsidized and non-need based Supplemental Loans for Students would also be increased significantly.

Our reauthorization plan also includes a number of measures to ensure the integrity of Federal student loan programs. Last Monday, the department announced the results and recommendations of a GSL management study that was conducted in cooperation with the Office of Management and Budget. I plan to begin implementing some of those recommendations immediately, but legislation will be required for many other measures needed to safeguard the public interest and to increase accountability for public funds.

The administration is proposing, for example, to share the risk of borrower default with the States. States would share this risk by providing full faith and credit backing to their designated guarantee agencies. In addition, States with high institutional default rates would pay a share of the default costs. Both proposals would encourage greater efforts by States to ensure the quality of institutions participating in HEA programs. These proposals also reflect the shared interests of Federal and State governments in ensuring quality education, consumer protection, and positive economic contributions from the public investment in education.

Let me also note that the administration is still considering alternatives that would replace some or all GSL programs. I will keep the committee informed of any future proposals regarding this issue.

In addition, the department will reexamine the previously announced proposal for requiring minimum student academic achievement as a condition of eligibility for title IV student aid programs. We intend to develop a workable approach to ensuring that Federal aid goes only to those students who recognize the importance of education and who take their studies seriously. This reexamination will begin with an assessment of the current regulation that defines satisfactory academic progress toward a post-secondary degree or certificate.

We are also proposing a *Precollege Outreach* program to encourage disadvantaged students to pursue higher education, to disseminate information about the availability of Federal student financial assistance, and to support secondary school persistence through tutoring and other kinds of remedial services. This program would support local partnerships between secondary and post-secondary institutions in those areas with the greatest concentrations of disadvantaged students.

Our reauthorization plan also will include important proposals for improving Federal support for graduate study in areas of national need, and for training the next generation of teachers for America's schools.

Our proposal for a new *National Graduate Fellowships* program would consolidate six current graduate fellowship programs into a single, more flexible and responsive program. This program would provide competitive grants for the support of graduate students studying in areas of national need—such as mathematics and the sciences. It would provide need-based stipends up to $10,000 per fellow, and would include provisions targeting assistance to minorities and others who are currently underrepresented in areas of national need.

We are also proposing to expand substantially the *National Science Scholars* program, which was included by the President in his education initiatives of 1989 and enacted last year by the Congress. This program would provide college scholarships of up to $6,000 to graduating high school students who have excelled in mathematics and the sciences and who plan to study and pursue careers in these critical fields.

Another area that President Bush has long emphasized is quality in teaching. I think most of you know I share that commitment. Many of the reforms I pursued as Governor were aimed at improving the teaching profession and rewarding good teachers. This is why I am especially pleased that our reauthorization plan includes a new program of *Partnerships for Innovative Teacher Education*. This new program would encourage the professional development of teachers by fostering collaboration between elementary and secondary schools and institutions of higher education. These partnerships would focus on strategies to make teacher education more rigorous, to utilize the latest research on teaching and learning, to prepare individuals without prior education training to teach in our schools, and to help teachers continue their professional growth throughout their careers.

We believe that all of these proposals that I have described would not only continue but would improve on the HEA's tradition of effective Federal support for post-secondary education. I urge you to give them careful consideration. I plan to send a detailed summary of our proposals to Congress in the near future, and an administration bill will follow this spring. In the meantime, I am enclosing with my testimony a more detailed explanation of the proposals I have highlighted today. In addition, senior officers in the department who have been closely involved in preparing the administration's reauthorization plan will be available to provide the committee any additional information or testimony that may be needed.

I look forward to working with you over the coming weeks and months on this important legislative task, and I will be happy to take any questions you may have.

SUMMARY OF KEY REAUTHORIZATION PROPOSALS

Pell Grants

Under the administration's proposal, the maximum Pell grant would rise to $3,700 from the current maximum of $2,400, and a new set of award rules, a tighter independent student definition, and a new need analysis formula would be established. Increasing the maximum grant would help the lowest-income students the most—the students who are most affected by rising college costs and the students for whom grant aid can make the greatest difference in their decision as to whether or not to enroll in post-secondary education.

The proposed award rules would ensure that awards vary with both the cost of attendance and the family's ability to pay for school. A student's award would be the lesser of:

(1) A percentage of financial need (that is, the cost of attendance minus the expected family contribution or EPC) which is determined by the family's income and other factors. The percentage of need financed by the Pell grant would vary from 79 percent for families with incomes up to $10,000 to 30 percent for families with incomes exceeding $30,000, or

(2) The maximum award minus the EFC.

Eligibility for the Pell Grant Program, as well as all other title IV student aid programs, would be determined according to a modified version of the "congressional methodology" formula that currently applies to the other need-based student aid programs. (See discussion of need analysis below.)

Presidential Achievement Scholarships

This program would provide awards of up to $500 to Pell grant recipients who excel in their studies. To receive an award in the freshman year, high school students could have to rank in the upper 10 percent of their class or score high on nationally standardized tests. Once in college, students would be required to rank in the upper 20 percent of their class to receive an award. This proposal emphasizes the administration's desire to encourage and to reward excellence in education and would provide additional tangible support for low-income students who perform well.

Guaranteed Student Loans

The administration's proposals would incorporate wide-ranging changes to all aspects of the GSL programs to make more, subsidized loan aid available to middle-income families as more grant aid is reserved for low-income students. These proposals would also strengthen the guarantee agency structure and tighten the links between the States and guarantee agencies. In addition, the focus of a number of the proposals is the reduction of default costs through default prevention and the improvement of default collection.

Increasing Annual Loan Limits

The administration proposes increases in annual loan limits to help students cover the increasing costs of post-secondary education. Further, the amounts proposed by the department would encourage persistence by providing higher loan amounts to upperclassmen.

These proposals would:

—Increase the Stafford loan limit from $2,625 to $3,500 for first- and second-year undergraduates;

—Increase the Stafford loan limit from $4,000 to $5,000 for third-, fourth-, and fifth-year undergraduates;

—Maintain the current Stafford loan limit of $7,500 for graduate students;

—Maintain the current SLS limits of $4,000 for first-year students;

—Increase the SLS loan limits from $4,000 to $6,000 for undergraduates (excluding first-year students) and from $4,000 to $10,000 for graduate students; and

—Maintain the current PLUS loan limit of $4,000.

Ensuring Program Integrity

Last fall, the administration proposed, as part of the budget reconciliation process, a number of legislative remedies to help ensure the integrity of the Guaranteed Student Loan Program. A number of these measures were enacted by Congress. As part of reauthorization, the administration is requesting reconsideration of those proposals that were not enacted as well as the consideration of additional proposals that are necessary to ensure accountability and stability in the Guaranteed Student Loan Program.

These proposals include the following measures:

Default Prevention

—*Establish a course length minimum of six months (600 clock hours) for program eligibility:* This change would make the GSL program minimum standard consistent with that of other Federal student aid programs.

—*Require lenders to perform credit checks:* To prevent defaults by individuals who have already demonstrated a lack of credit-worthiness, lenders would be required to check the credit histories of all Guaranteed Student Loan applicants who are age 21 or older. Applicants with poor credit histories would be required to obtain a credit-worthy co-signer. Guaranteed Student Loan access would not be affected for the many students who have little or no credit history.

—*Delayed disbursements:* Disbursements of loans to first-year borrowers at schools with default rates over 30 percent would be delayed until 60 days from the student's first day of classes. This would help reduce the inordinately high rate of defaults by students who withdraw early. In effect, it would require high default schools to share the risk of dropouts and defaults.

—*Require lenders to provide graduated repayment options to borrowers:* Graduated repayment schedules would provide for the repayment of as little as only accrued interest during the first year of repayment and would require the borrower to resume repayment, on an equal-installment basis, after the fourth year of repayment, so that the 10-year statutory maximum period would not be exceeded.

Default Collection

—*Authorize guarantee agencies to garnish defaulter's wages:* This proposal would authorize guarantee agencies or the Secretary to garnish defaulter's wages, up to 10 percent of disposable pay, after the defaulter is provided notice and an opportunity for a hearing.

—*Require students to provide driver's license numbers and other borrower location information:* To make it easier to locate delinquent and defaulted borrowers, the department proposes to require schools to obtain, at the time of application, the borrower's driver's license number. Similarly, during the exit interview, the school would obtain the borrower's expected address after graduation, the address of the borrower's closest relative, and the name of the borrower's expected employer after graduation.

Guarantee Agency Improvements

—*Require prompt filing of reinsurance claims:* Guarantee agencies would be required to file for reinsurance payment reimbursement within 45 days of claim payment.

—*Require guarantee agency management plans:* The Secretary would have the authority to require guarantee agencies whose administrative or financial condi-

tion is determined to be weak, to submit and follow a management plan that is acceptable to the Secretary.

—*Authorize termination of guarantee agency's guarantee agreement if agency is financially weak:* If an agency's reserve ratio drops below a certain level (to be prescribed in regulations) or the Secretary determines that the guarantee agency is no longer able to perform its responsibilities under its guarantee agreement, the Secretary would be authorized to terminate the guarantee agency's agreement.

—*Authorize the Secretary to assume grantee agency functions:* If a guarantee agency withdraws from the program or its guarantee agreement is terminated, the Secretary would be authorized to assume responsibility for the functions of the guarantee agency under its loan insurance program.

Risk Sharing

—*Require States to back their designated guarantee agency:* States would be required to back a designated guarantee agency with the full faith and credit of the State or subject the schools licensed in the State to a risk based premium assessed by the department to cover the obligations that would not be met by the State.

—*Require States with high default rates to pay a share of the default costs:* If the cohort default rate of schools licensed in a State exceeds 20 percent, that State would be required to pay a fee on new lending in the State. The fee would be equal to the percentage that the State's default rate exceeds 20 percent.

—*Reduce special allowance parents by .25 percent to lenders with high default rates:* Lenders with cohort default rates in excess of 20 percent would receive special allowance payments ensuring a yield of 3.0 percentage points above the 91-day Treasury bill rate rather than the current 3.25 percentage points.

Independent Student Definition

Under the current definition, students age 24 and older are automatically considered independent, and a single undergraduate student with no dependents may be considered independent if that student was not claimed as a dependent by his or her parents on their Federal tax return form for the 2 calendar years preceding the award year, and if that student demonstrates self sufficiency as evidenced by annual total resources of at least $4,000 in the calendar year prior to the award year. Since the term "resources" is very broad and may include student aid, it is relatively easy for a student to demonstrate resources of $4,000, and thus be treated as independent—and qualify for larger amounts of Federal aid.

The administration proposes to increase the age of automatic independency to age 26, and to require that a single undergraduate student under the age of 26 may be considered independent only if he or she:

—Did not or will not live with his or her parents for more than 6 weeks during the calendar year preceding the award year and during the first calendar year of the award year; and

—Demonstrates self-sufficiency by documenting an annual total income, for each of the 2 calendar years preceding the award year, at least equal to an amount, initially $5,740 for 1992-93, based on the Bureau of Labor Statistics low budget adjusted for a family size of one. Student aid received during those years could not be included as income. Self sufficiency would have to be documented prior to disbursement of any title IV aid.

In addition to reducing abuse, these proposals would result in significant simplification of the student aid application form.

Need Analysis

A single need analysis formula similar to the general need analysis or "Congressional Methodology" would be used to determine eligibility for all need-based title IV student aid programs.

Currently, there are two statutorily-established need analysis methodologies used by the title IV student financial assistance programs for determining a student's financial need: The Family Contribution Schedule (FCS), under which eligibility for a Pell grant is determined, and the Congressional Methodology (GM), under which eligibility is determined for the Campus-Based and Guaranteed Student Loan Pro-

grams. Establishing a single need analysis system would simplify the Federal program delivery process, and would eliminate confusion among parents and students who assume that they are ineligible for all title IV aid if they are ineligible for a Pell grant.

Special Programs for Students from Disadvantaged Backgrounds

The administration proposes to consolidate the Upward Bound, Talent Search, Educational Opportunity Centers, and the School, College, and University Partnerships programs into a Precollege Outreach program. The new program would provide the academic and cultural enrichment needed by disadvantaged students to complete secondary education and pursue a post-secondary education. The consolidation would create a more flexible program than the current categorical programs and would permit projects to offer the services most needed for their community.

Under the Precollege Outreach program, funds would be allocated to the States through a statutory formula based on the State's total share of Chapter 1 (compensatory education) basic grant and concentration grant funds. States would then award competitive 3-year renewable grants to institutions of higher education (ISE's) in partnership with local educational agencies (LEAs) serving communities with the highest concentration of Chapter 1-eligible children. The IBE's and LEA's would establish programs in the secondary schools serving low-income, disadvantaged students. States would be required to submit plans to the Secretary for approval, including the guidelines and priorities they would use in selecting eligible IBEs and the performance standards set by the State.

National Graduate Fellowships

The administration is proposing a single graduate fellowship program that would consolidate the following programs: Patricia Roberts Harris Public Service Fellowships; Patricia Roberts Harris Graduate Fellowships; Jacob K. Javits Fellowships; Graduate Assistance in Areas of National Need; Library Career Training; and Foreign Language and Area Studies Fellowships. This consolidation would support several objectives: Increased assistance to those underrepresented in graduate education; support for graduate study in areas of national need; and simplification of program delivery. Under this restructured program the Secretary would have the discretion to set funding priorities each year in order best to address national needs.

National Science Scholars

National Science Scholars is an important new program designed to encourage achievement in the sciences. The program directly supports the national goal of improving mathematics and science academic achievement. This program currently provides scholarships of $1,120 to graduating high school students who have excelled in the sciences and mathematics. The scholarships recognize the academic achievement of these students and encourage them to continue their education in these academic areas at the post-secondary level. Under the administration's proposed legislation, awards would be increased to $6,000.

Partnerships for Innovative Teacher Education

The administration is proposing a new program to encourage collaboration between elementary and secondary schools and institutions of higher education to improve the education and continuing professional development of teachers. With the participation of the business community and others these partnerships for innovative teacher education would provide practical preparation for prospective and novice teachers within the regular school. These teaching schools would also provide continuing professional development for experienced teachers through the creation of new roles and responsibilities and by providing opportunities for teachers to further their knowledge of their subject matter and how to teach it. Finally, the schools would carry out research and experimentation to improve teaching and learning for a diverse population of students.

Senator Pell. I thank you very much indeed, and I will start the questioning of you. We'll follow the 10-minute rule, and I'll ask the clerk to ring the bell at the appropriate time.

I would just like to make one point, that the real reason why the National Defense Education Act was passed at the time you mentioned was because of the Sputnick launch. I remember being in

Moscow and seeing Sputnik go up. We didn't have another stimulus like Sputnik for a good many years, and maybe we need one now.

I'd like to open up by saying that if you take the proposed changes in the Pell Grant Program and in programs such as SEOG, Work-Study, the Perkins Loan Program, I understand—and from your testimony as well—that about one million awards would be cut. Also, we would be making no movement whatsoever in alleviating the very real needs of the hardpressed middle-income families.

Am I wrong in my understanding?

Secretary ALEXANDER. Well, Senator, with all respect, let me not say you are wrong, but present a different point of view. Let's start with a student at the University of Tennessee at Knoxville. That student arrives with a 70 percent subsidy. The taxpayers are already paying 70 percent of the cost of operating that institution through State funds. Then the question is how are we going to distribute the Federal money we have among the remaining students. We could spread it out among all the remaining students, or we could concentrate it among the poorest students. And the proposal we have made is to take about the same money that was spent last year, taking out the accounting changes, and to concentrate that money on the students from families with the lowest amount of income and increase the amount of money that they would have from $2,400 to $3,700, and in some cases it could go to $4,200.

So that is just a choice that Congress, I would think, would want to make—do we spread it out or do we focus it. And it is not easy for a middle-income family to send anyone to college; we certainly know that. But given the State subsidy and the Federal loans and other State and private funding, it would seem to us that the most appropriate place to focus the Pell grant today is a bigger grant for the poorer people.

Senator PELL. I think the problem is that the need is growing among all Americans. As I understand it, college tuition has risen more than 130 percent in the last 10 years, but family income has only risen about 65 percent. This has produced more financially poor students who need help and has made middle-income families needy as well. In other words, there have been more so-called middle-income families in need of assistance with tuition bills.

How would you react to that?

Secretary ALEXANDER. Well, Senator, I would say as the Secretary of Education and as a parent and a former governor and a college president that I would like for money to be as small a barrier for anyone going to college as it possibly can be. Inflation went up about 100 percent in the last 10 years; tuition generally went up more. Tuition at community colleges—and most States have them—is a few hundred dollars a semester. Even that can be paid for by Pell grants if the person is especially needy. So at the same time, some college tuitions have gone up, we have put in place these rapidly expanding community college systems which are very good systems, publicly supported systems. I know in our State, and I suspect in most States, we are now working to make sure that students who go to those community colleges, which are open at convenient times, at low cost, with sometimes a larger variety of

offerings, that those students may have automatic entrance on into the university later.

So the burden is still there. I see many families who have difficulty. Most of the students at the university where I was have jobs. I assume they do that because they need the money to go school. There is still a need there, and an important need. And if there were all the money in the world available, more could be given out, but if Congress is operating under budget restrictions and with a big budget deficit, I think the question then is to be proud of having expanded these grants and loans to include nearly half of all the students who go to colleges and universities and decide where to concentrate the money, which would seem to us to be among the poorest families.

Senator PELL. Are you as disturbed as I am at the reversal from loans to grants? As you know, 10 years ago about 3-1 of the Federal dollars went into grants as opposed to loans; now it is 3-1 the other way, loans to grants. Do you consider that healthy?

Secretary ALEXANDER. I think I would agree that there ought to be a serious examination this year, and now is the time to do it, about the effect grants have on students from poor families going to college.

One reason we have recommended taking the available amount of money and concentrating it on somewhat fewer persons who are poorer with higher grants is that we believe that for those poorest families that a loan in many cases discourages them from continuing their education. So to that extent, that would argue more toward grants for the poorest families and loans for the middle-income families, which you said in your comments was the original purpose of the two programs.

Senator PELL. On another subject, the TRIO programs, there is an old adage that says if it ain't broke, don't fix it. Why are we seeking to restructure the TRIO programs, which have really done a superb job, and the Federal Government deserves congratulations on the way they have been administered.

Secretary ALEXANDER. Well, you know, there is another adage that says if it's not broke fix it anyway, in these times. But I think in this case, Mr. Chairman, that could be an honest difference of opinion. From my point of view—which you will have to forgive is coming from that of a governor and a university president—we see the complexity that goes with how do colleges and universities help high school students and their teachers understand what is expected of them so that they will have a better chance of moving on to college. We're not talking about abandoning that; we're talking about putting more money in it and giving the people on the scene who work with it more chance to figure out what the best way might be in Rhode Island, which might be different than it is in Tennessee or Mississippi.

So it is more a matter of giving more flexibility in three programs that have a very good purpose, and we think it will make them work better, not worse.

Senator PELL. But some of these programs really are pretty successful. Will you be examining them with a magnifying glass to try to keep the good ones and not let them be tossed out or changed?

Secretary ALEXANDER. Well, I guess that would be a matter of how the legislation would be written.

Would it be appropriate for Sally to comment more on that?

Senator PELL. Certainly, please.

Ms. CHRISTENSEN. Senator Pell, one of our initiatives over the past 2 years in fact has been to take a careful look at the TRIO programs and to identify those that have been most successful. We are in the process of doing that now, and within the next couple of years we will be identifying those and replicating them around the country. As you know, there are so few institutions that are eligible to receive these funds, so that is one way we are going at the problem. We will be getting the successes around so that everyone can follow those same kinds of approaches.

More importantly, though, our proposal now is to group up the college and university with State departments of education. Our formula in fact would focus on the Chapter I populations, so we think it would be especially helpful to get those dollars into the communities that have the highest concentrations of at-risk children, ones who probably will be dropping out or not even attending college, and that that partnership will make a real difference. We think that is the most important thing that we can be doing.

We have been very supportive of the TRIO program over the past 25 years, and we think it has been successful, but we think with this slight approach in getting the dollars out that we will reach even many more disadvantaged children than we are doing now.

Senator PELL. I thank you, and I hope and trust you are correct.

The budget proposal that you are making would increase the Pell grant maximum from $2,400 to $3,700. In many ways this is good news, but it would be done by reducing or eliminating grants to many families with income over $10,000. This would exclude, as I understand it, 400,000—almost half a million—families altogether. How would these families make up the difference?

Ms. CHRISTENSEN. Senator Pell, there are a variety of factors that go into that 400,000 students that would be eliminated, one of which is the minimum academic performance. As Secretary Alexander stated, we want to look at a way to encourage all of these Pell grant recipients to focus on achieving at higher levels than many of them are right now. So that is part of the factor.

Another factor is that we are tightening up on the independent student definition. Some of these students are in fact virtually dependent, but they get the added benefit of getting a much higher grant, and they are the ones who are just at the fringe where they get very small awards anyway, so that they would have to take a slightly more percentage of their aid in loan assistance.

And then we have had, as you know, a very active default initiative going on for the past couple of years, and that drops a few of them off, too. So it is a combination of items that go into that—but they are not the neediest.

Senator PELL. Thank you very much. My time has expired, and I turn to the ranking minority member, Senator Kassebaum.

Senator KASSEBAUM. Thank you, Mr. Chairman.

Perhaps I could just follow up on that to ask if the administration proposal changes any of the home or farm equity consideration in calculating the level of income and eligibility?

Ms. CHRISTENSEN. No, except that we will not require home equity for those at the lowest-income levels because we feel that even though they do have equity in their homes, they are not able to obtain home equity loans for that purpose.

Senator KASSEBAUM. So you will base it somewhat on what they could obtain loans for as far as what is counted as equity?

Ms. CHRISTENSEN. Right; it would be more sensitive to that.

Senator KASSEBAUM. I am sure that we're all aware that this becomes a real problem for many students, particularly those from farm families that may have significant equity, but no cash flow. I think this is important in the calculation. I'm not quite sure how one factors it out, but it frequently can become a problem.

Secretary ALEXANDER. Senator, I will ask Mr. Farrell to take note of that. He and I have the advantage of not knowing very much at all about all the details of how that is done, so we will take a fresh look at that point and try to understand it and make sure we sensibly deal with it.

Ms. CHRISTENSEN. We will also submit for the record and get to you personally a more detailed analysis of how that would work specifically for farm families.

Senator KASSEBAUM. Thank you.

Let me just mention something else that you touched on briefly. I think while grants and loans and default rates are enormously important, there are some other things in here that offer some real opportunities. One is a program called Partnerships for Innovative Teacher Education. I happen to believe that this is very important. There are certainly many colleges that are working with some new initiatives. The University of Kansas has gone to a 5-year program. I guess I was wondering exactly what you had in mind with your teacher program. Could you elaborate a bit on how this would be operating?

Mr. SANDERS. Generally speaking, Senator, the program that we are proposing would take teacher training out into existing schools so that teachers who are in training would receive that in a clinical experience that would be in a school site itself. That same site would also be utilized for continuing professional development, in-service, if you please, teachers.

Senator KASSEBAUM. Pardon me—how does that differ from what is required now for a student teacher program?

Mr. SANDERS. Well, right now, that's the only experience that takes place in a regular school site. We would be talking about moving much more of the training out into the school site, combining both use of liberal arts faculty as well as education faculty and even looking at practicing teachers becoming a part of the faculty at the institution, teaching methods courses and so forth—but at an existing school site and not on a university campus.

Secretary ALEXANDER. Senator, this is an interesting proposal and fairly timely, I think, because one of the problems is many people complain about the colleges of education not training teachers properly. Well, that is probably true, they don't, but if they did train teachers properly to teach in schools the way they ought to

be today, there wouldn't be anyplace for them to teach because the schools are so much rooted in old practices. So many of the colleges have hooked up what they call professional development schools with colleges of education, and basically, they have new schools and changing colleges of education, so that as they graduate teachers, they are prepared to teach in these schools that are basically new systems of learning. That does tend to move out into those schools, or schools like the ones that Mr. Sanders is talking about, more of the training to the school because it is a new learning environment and a different way of teaching learning.

Senator KASSEBAUM. OK. I guess I'm still a little uncertain exactly what the program will do. I assume it would still be basically the same structure, but a student in the department of education would spend more time working within an elementary school, say—or are we talking about some different type of school?

Mr. SANDERS. No. We are talking about much more than just extending the time of student teaching. We are talking about doing much more of the training actually onsite, in an existing elementary or secondary school, carefully selected, where that teacher can learn, where the very best of practice is taking place; and that they would actually, instead of being back in a university classroom, taking their methods instruction, they would actually be out in a regular school site, learning that from a teacher who is both an active teacher and a member of the faculty that is training the new teacher.

Secretary ALEXANDER. If I could use an example, Senator, let's say that at the University of Kansas college of education, they taught all the teachers who hoped to teach geography—which is one of the five national goals—how to do that with computers and interactive video hooked up to the National Geographic Society's films over the years, that sort of curriculum. The problem would be that when those teachers then went out to teach in the Kansas or the Tennessee schools, there wouldn't be any interactive video disks; those things don't exist. So the idea is to create in the school the situation that the teacher would then do a lot of the training in the school, because as the schools are changing—and they badly need to—we need to provide teachers who can work in those different environments.

Senator KASSEBAUM. Well, I think it is an excellent idea. I think anything we can do to strengthen teacher training is very important. I was just curious how you envisioned it operating because I think this is an important concept, and I think the more experience out in the classroom, the better. I certainly agree with that.

I'd just like to mention something else that I think is very important, and that is forging a stronger link between the 2-year and the 4-year colleges. Are you talking about linkage with the elementary/secondary programs, but the 2-year and 4-year colleges as well?

Secretary ALEXANDER. I agree with that very much, Senator. I notice in the university world I lived in and with my colleagues in other States, that is a very rapidly moving development. For example, at the University of Tennessee, we sign agreements with the community colleges so that their students, if they take these certain courses, when they complete those courses they may automatically be admitted as juniors at the university; there would be an

admissions office from the university at the community college and vice versa, which would suggest to students who may want to come in to continue their education that you would be better off here, or you would be better off here. That is just beginning to develop in our State, and I have noticed it developing in other States. I am not sure if there is a Federal program that does anything about it, but it is a very important concern.

Senator KASSEBAUM. I just thought I would mention it. I wasn't sure there was anything in your proposal, either, but there perhaps could be ways to work that into the teacher training initiatives.

Ms. CHRISTENSEN. I would say two things. On the teacher training initiative, one of the most exciting parts of that I think is the research component. There will be a very, very strong research emphasis on that where we have not only the faculty from both the education school and the liberal arts schools at the universities working on this, but they would be working in conjunction with the teachers in the classroom. So the teachers who are out there doing the work and seeing what is actually needed will have a real contribution to make in the research and developing new ways of going about it.

With regard to the link between 2-year and 4-year schools, we work that kind of emphasis into our programs across the board. One example, for instance, is TRIO, where we had an initiative from the department a couple of years ago to begin to make grants to 2-year schools to encourage disadvantaged students primarily to complete their education there and help them in the transition into 4-year schools. So there is a lot of that kind of activity that crosses all of our programs.

Senator KASSEBAUM. I have run out of time. Thank you.

Senator PELL. Thank you very much, Senator Kassebaum.

OPENING STATEMENT OF SENATOR DODD

Senator DODD. Thank you very much, Mr. Chairman.

Mr. Secretary, congratulations again on your confirmation as Secretary of Education.

Secretary ALEXANDER. Thank you, Senator.

Senator DODD. Mr. Chairman, before I begin I'd just like to recognize in the audience the presence of Clare Gaudiani, the president of Connecticut College, who is visiting with us today. Let me welcome her to today's hearing.

Mr. Secretary, I'd like to comment on what both the chairman and Senator Kassebaum have talked about. I find in going over the administration's proposal—and I recognize it will take a little time for you just to get up-to-speed—that there are some things that are being done to help low-income students.

One of the problems I see here—and I realize you can't do everything, is that it seems to me that we have moved so far away from trying to do things for middle-income families. What I'm about to say you have heard over and over again. We are obviously making efforts to try and make it possible for low-income families to be able to enjoy an educational opportunity, and we all know about the staggering increase in the cost of education. Costs have risen 100 percent or more in the last 8 or 10 years, and middle-income

families are just being squeezed, terribly squeezed. And I don't see anything in this proposal to deal with some reforms in the Guaranteed Student Loan Program, which we all know was originally designed specifically, putting aside the question of loans to grants, specifically to help that constituency.

Mr. Secretary, I will tell you that last week, the recess week, we held hearings out in my State on the Higher Education Act. We had three hearings and a forum with college presidents, students, parents, financial aid officers and so on, as well as speaking at three public high schools in my State. And I found when I asked the question of seniors, "How many of you are not going to the college of your first choice where you are academically qualified, because of financial problems," about 50 percent responded to that question that they just could not make it, they just didn't fit. And I'm not suggesting everyone ought to fit someplace in terms of some assistance, but when you start looking at the income criteria here, it really gets so unrealistic for families.

New England has had some unique problems, and I suppose as farm equity is an issue in the Midwest, home equity becomes an issue in the New England States, where real estate costs have just skyrocketed in the last few years.

But when you look at these charts, and you start suggesting that a family of four should be able to make it on $14,000 a year, outside of educational costs—and I understand you've got to come up with numbers to meet budget criteria—but that is so unrealistic, so absolutely unrealistic for families in our area and I suggest a good part of the country. I don't think we are that out of whack in terms of cost of living, and I just think that is generally going to make it more and more difficult for people to fall into these areas, and we are just losing an awful lot of people who should be able to get that help.

[The prepared statement of Senator Dodd follows:]

PREPARED STATEMENT OF SENATOR DODD

Mr. Chairman, good morning and thank you.

Mr. Secretary, I would like to extend my warmest congratulations to you on your confirmation and to welcome you to your first Senate hearing as Secretary.

As you know, and my colleagues have discussed, the Congress has begun to look seriously at the programs authorized by the Higher Education Act in preparation for reauthorization.

After chairing the United States Student Association hearing on March 18th for Chairman Pell, I spent last week in my state taking testimony from Connecticut educators, administrators, students and parents on the issue of "access" as it pertains to higher education opportunities—in particular, the title IV programs administered by your department.

The attendance at the USSA hearing, which topped 400, and the two hearings in Connecticut, each of which attracted over 200 students and education officials, is a good example of the public interest in the future of the student aid programs. Testimony at these events reinforce what many of us already know—that the purchasing power of the Pell grants has diminished and the administration

is prepared to further eliminate another 400,000 students from the program, and middle-income students have been squeezed out of the guaranteed loan programs—a program originally designed for their use.

I would be remiss if I did not take this opportunity to share with you some of the issues raised at the Connecticut hearings. Low-income and middle-income families in my state have been squeezed out of the Federal aid programs over the last decade. They don't earn enough to afford the rising tuition costs, but they are told that they earn too much or own a home worth too much for them to qualify for the Federal aid.

The Federal needs analysis applies the same criteria to every region of this Nation. In counting home equity, it does not consider that the Northeast has experienced inflated property values that have dramatically outstripped increases in income over the last decade. The standard maintenance allowance for a family of four is, as you know, $14,930. This amount may be enough in some parts of this Nation, but it is unreasonably low for a state like my own with one of the highest costs of living.

Students in the Northeast borrow more than students in any other region of this Nation. Students and parents have testified that their choice—a concept with which you are very familiar—is severely impeded when it comes to higher education opportunities. Debt and limited access to Federal aid have become major obstacles in the way of education opportunities for low- and middle-income families alike.

I would like to share with you one example of the impact changes to the aid programs have had on Connecticut institutions. The University of Connecticut received $12 million in Federal student aid in 1981. Since then the student body has grown, but the demographics of the student body remains much the same. However, the University of Connecticut receives less than $6 million in Federal student aid today. Moreover, under the President's Pell grant proposal, as many as 700 out of the 1,360 Pell grant recipients could be cut from the program.

To deal with some of the problems I have identified and to help middle-income families with education costs, I have introduced the better access to Student Aid Act of 1991, S. 727. My proposal picks up on the efforts of this subcommittee over the last 2 years to relieve middle-income families. It includes provisions to eliminate home equity for families earning less than $40,000. It would lower the required student contribution from 70 percent to 45 percent. It would allow independent students with children to deduct reasonable child care costs. And, it would make more students eligible for the simplified needs test by raising the income cap from $15,000 to $25,000.

I hope to have these provisions included in the reauthorization—so, I would be interested in your thoughts on these proposals. I also look forward to your testimony on the administration's proposals for the reauthorization of the Higher Education Act.

I wonder if you might comment on the concern I have just raised with you here, and then I have a couple of specific questions I'd like to follow up with that Senator Kassebaum raised.

Secretary ALEXANDER. Well, Senator, thank you.

I think it is just a philosophical choice. Either you are going to focus more of the money on the lower-income students or on the middle-income students, and we recommend you do it on the lower-income students. And I think that makes good sense because you start with the idea—and I think it helps to go down to concrete examples because I don't think the States differ that very much—in our State, any student may go to a community college that is within about 30 miles, that costs about $300 to $400 in tuition per semester. If those are the neediest students, that entire amount can be paid for by a Pell grant. Now, that has increased the higher education opportunity for students in America so that more and more students have continued their college education.

If you go to Harvard, as I understand it, and you need the money, they'll give you the money. So we must be talking about something in between in terms of a wide choice. I think we have an obligation to give students a wide variety of options, and when you start out with community colleges that are very inexpensive, when you add to that the fact that 10 million out of 13 million students go to public universities, most of which have tuition of $2,000 or $3,000 or less a year, and 40–70 percent of the cost of those already subsidized by the taxpayers through State funds, then I think it does make sense to insert the Federal money that is available for the lowest-income families, those with $10,000 or less.

So that would be the proposal, and we have also tried to increase the amount of money available for loans for middle-income families.

Now, the other side would be to say let's take the money away from the poor people and give it to the middle-income people, and that would be one point of view.

Senator DODD. Well, I think we can walk and chew gum; I don't think you have to make a choice between one or the other. It is just that we seem to be almost excluding the other. The choice doesn't necessarily have to be a community college or Harvard. It seems to me there are a lot of other choices that unfortunately we are excluding people from by some of the formulations in both Pell Grants and Guaranteed Student Loans.

Let me give you an example, and again I don't want to be so parochial here, but I do focus on a regional perspective.

Secretary ALEXANDER. I think examples are helpful.

Senator DODD. In 1981, in terms of aid, the University of Connecticut was the recipient of about $12 million. Since that time, we have seen the demographics remain roughly the same at the University of Connecticut. However, today the university receives about $6 million in Federal student aid programs—about half what they received in 1981. Moreover, under the Pell Grant Programs as they are presently construed in this proposal here, of the 1,360 or so Pell grant recipients at the University of Connecticut, roughly 700 would be dropped out of that program.

So both in terms of middle-income and lower-income, we are losing people at the low-income as well as the middle-income level. I can tell you exactly what the impact will be based on what financial aid officers are telling me at our major State university.

Secretary ALEXANDER. Well, these are never easy choices. We had to make these choices at our university, too. We had a certain

amount of money available, and we had to make the choice do we increase the size of the loans so people can pay more of their college bill; if we do that, that decreases the number of students that we can give the money to. And the recommendation that we have made here is that money seems to be the barrier for the poorest students, so that when you increase it from $2,400 to $3,700, or even $4,200 a year at the University of Connecticut, maybe you will pick up more of the poorest students there.

What may have happened in the last 10 years at the University of Connecticut or the University of Tennessee or the University of Illinois is that many of the Pell grant students now go to other college campuses. They may go to the community college because they may have a job, and the community college is open until 10 p.m., and the faculty of the University of Connecticut doesn't like to teach in the afternoon. That happens a lot.

Senator DODD. I understand. We all like to think the ideal would be that students ought to make the choices based on their academic performance, their motivation and so forth as to where to achieve a higher education. That is the ideal. I understand that in the real world, obviously financial considerations have to be factored in. But it seems to me that we ought to be trying at least to minimize the importance of the financial ability. We're talking about students here, younger students, although we have a lot of nontraditional students now who are becoming the traditional students—but nonetheless it seems to me that we ought to at least try to minimize to the extent possible that consideration as the student, traditional or nontraditional, makes the educational choice.

What we seem to be doing is changing the equation. We are now escalating dramatically the financial considerations as the primary factor in the choice determination.

Secretary ALEXANDER. Well, we are basically trying to figure out how to split up $6 billion in Pell grant money, whether to spread it among 3.4 million students or 3 million of the poorest students and give those poorest students a larger grant. That's it. And you can make a pretty good case for either side. We would prefer to focus it on the poorest students and give them more of a grant.

Senator DODD. Let me ask you a couple of questions. I have introduced a piece of legislation along with, I presume, hundreds of others around here in the higher education area called "The Better Access to Student Aid Act of 1991." There are two or three recommendations we make in that legislation. If you would care to respond as I raise them here with you quickly, I'd appreciate it; if you want to get back to me, I understand that as well.

One addresses the issue that Senator Kassebaum raised. Our legislation says that for the student loan programs a family earning less than $40,000 would not have their farm or home equity calculated; from $40,000 to $70,000, it would be phased in. At $70,000, of course, you'd calculate it at 100 percent. That is one recommendation.

Second, the amount of money that a student earns in a job that has to be allocated toward the education cost is now roughly 70 percent; we recommend dropping that down to 45 percent because in a sense, it is almost discouraging work because of the other costs

that many of these students have to assume or become responsible for as they move forward.

Third, we talk about a child care component because among the nontraditional students, we are seeing more and more single parents who are going back to get an education, and we want to provide some consideration for that as they are trying to meet the educational costs.

If you might just comment on those, I'd appreciate it.

Secretary ALEXANDER. Senator, those are very thoughtful points and ones which I would like to get into a little bit more myself. May we think about them and respond to you a little later?

Senator DODD. Certainly.

Secretary ALEXANDER. The child care point goes to the larger number of traditional students, and I'd like to make sure we give you more than a flip answer to that.

Senator DODD. I forgot a fourth point, and I'd just raise it here. That is that some are suggesting that a AFDC or a food stamp recipient, instead of having to go through the whole application process, would be automatically eligible for a Pell grant. In the application process there is a lot of duplication, and the suggestion has been made that if a person is meeting that standard then certainly you ought to be able to eliminate the necessity of having to go through the bureaucracy of another application.

Again, I don't expect you to respond right now. I realize it takes some thought and consideration to look at that, but the fourth recommendation was to try to streamline some of this.

Secretary ALEXANDER. We will look at those four suggestions carefully and will respond to you, Senator.

Senator DODD. I thank you very much.

Thank you, Mr. Chairman.

Senator PELL. Thank you, Senator Dodd.

Also one of the thoughts we have had is that we should have a hearing one of these days on the complexity of the Federal forms.

Senator DODD. Yes, we heard a lot about that. I got buried alive in that testimony.

Secretary ALEXANDER. I agree with you. We've got a new fellow here, Mr. Farrell, who has taken that over, and both he and I agree with you about that. We'd like to take some time to work on that, and maybe we could then present to you what we've found so far and get your suggestions about what else to do. We'd like for that to be a goal of ours to simplify.

Senator PELL. We presently have a hearing scheduled on this subject for April 25, so that would be a good time to bring it together.

Secretary ALEXANDER. April 25—we won't have a lot done by then, Mr. Chairman.

Senator PELL. Maybe it's a little too soon.

Senator DODD. I'd like to recommend, Mr. Chairman, that one of the things you might want to consider in terms of reaching out to students is the number of guidance counselors in high schools. I know high schools are strapped, and local budgets determine how many a school can hire—but there is the tendency for the limited number of counselors to focus on the star students rather than the students who might not have blossomed or proven academic ability.

I gather we spend about $200 million a year in our military budget in recruiting the volunteer army, to be all you can be, which proved tremendously successful in Desert Storm. Obviously we don't have that kind of resources available for education, but we should promote the idea that you as a student out there may very well qualify for financial assistance. You raised the point earlier about the number of people who get frightened off and assume that they won't qualify financially, or cannot make it academically. We may be missing a whole group of students because we haven't promoted the idea that you can get a higher education.

Secretary ALEXANDER. I think you are right.

Senator PELL. Thank you. The hearing on April 25 will be more to get input from the community as a whole. We would not expect your consideration of it at that time.

Secretary ALEXANDER. On the simplification of the forms.

Senator PELL. Yes, on the simplification of the forms.

Secretary ALEXANDER. That would be very helpful. We will certainly attend.

Senator DODD. Thank you.

Thank you, Mr. Chairman.

Senator PELL. Senator Jeffords.

Senator JEFFORDS. Mr. Chairman, I think Senator Cochran was here before I was, and I will yield.

Senator PELL. Senator Cochran.

Senator COCHRAN. You are very kind; I appreciate that.

Mr. Chairman, I have a few questions, and one that occurs to me quickly is whether or not we are going to be taking a careful look at the way in which our current process is a barrier for applications. The Secretary mentioned this in passing in his opening statement, but my impression from dealing with a few complaints that have been submitted to our office from parents or others who are trying to figure out how to apply for a loan or a grant and dealing with some questions from financial aid offices at colleges and universities in our State is that the process has really gotten too complicated. I wonder whether there has been an opportunity yet to study the financial assistance process in terms of its complexity and whether there is any specific proposal that is being made now to the committee for consideration or whether this will be included in the later legislation that we can expect in the spring.

Secretary ALEXANDER. We do have one specific proposal, Senator, that would make it possible for a family to fill out one form whether the family is applying for a grant or a loan. If you fill out a form for a Pell grant, you would be also eligible for a loan if you weren't eligible for a grant.

It is an objective of ours to overhaul the management of the Guaranteed Student Loan Program, and to simplify both the grant and the loan process. That will take a while for us to be able to do, and we will welcome suggestions from the experienced financial aid officer. Mr. Farrell, who is the new chief of that, said he helped someone fill out a form like that a few years ago and got a headache after about 5 minutes, so he comes at it with the right attitude, I think.

I might ask Ted Sanders, who spent a lot of time in the last year on the student grant and loan question to comment because he may have something to add.

Mr. SANDERS. I don't think there is too much more to add, Mr. Secretary, Senator Cochran. Clearly, there is the one proposal that we are presenting to you formally as a part of this package. We, too, have been very, very concerned about simplifying the program and have that as one of the specific objectives toward which we must work.

Senator COCHRAN. Another committee on which I serve is Agriculture, and from time to time we have to take a very careful look to be sure that the program is not itself becoming the goal for some in production agriculture where you are attracted to growing a certain thing because the government program is designed to reward that decision rather than maybe making decisions based on other factors like the market, or the need out there.

In that question, I wonder is this going to be part of Mr. Farrell's job to try to look and be sure that we are not creating a reward system for the development of institutions. In other words, training programs that will qualify for benefits under these programs that wouldn't otherwise exist but for the Federal programs that pay students to attend those schools or colleges? What is your intention in connection with trying to identify that kind of problem if it exists and do something about it?

Mr. SANDERS. That has been very much a part of particularly the management study that we have had going on over the last several months jointly between our agency and the Office of Management and Budget. All the way from your earlier concern about basically what is a culture as to who is one's client, and I'm afraid that far too often we have sensed that our client has been either a lending institution or a guarantee agency as opposed to the student first and the taxpayer.

Senator COCHRAN. One thing that occurs to me is that Mr. Farrell's job is critical to getting this problem under control. I want to say very quickly that I applaud the decision to bring him into this process and endorse the assignment he has been given to look at the way the program is being managed, particularly the oversight process, where as I understand it, getting tougher with accrediting agencies may be a part of the responsibility, having employees at the department who can review school finances, and the like are under consideration—I am reading from the *Education Daily* dated April 9, which outlines the so-called "Sweeping plan to get tough on aid programs." I really think there is a need for that now. I think there is a widespread suspicion that there is a lot of fraud out there, and I know that there are some specific instances that have been brought to my attention over the last few years where schools were just shams, and when uncovered there were really some shocking facts disclosed about why that so-called school came into existence and how students were recruited and told that if you sign up, the government will pay you so much money, and you'll be eligible for benefits as a student. Some of these are students who had no intention of going to school or studying that particular course when they went there.

I wonder how widespread that is and whether Mr. Farrell is going to be able to get a new grip on that.

Mr. SANDERS. He is, Senator, and thank you for the reprieve there for a moment. We did find in the study that we have far too many shoddy schools in existence, and we have committed ourselves to beefing up not only the work that our IG does but the direct monitoring and oversight of those institutions.

You are correct in your earlier statement that there are institutions which exist almost, it would appear, solely for the purpose of qualifying students for financial aid, fix their tuition and costs based upon whatever it is that the combination of Pell grants and loans would actually afford for those institution. And yes, we are very, very concerned. We are coming at that from trying to deal directly with the issue of quality and believe that that is the approach to take.

We do not have the direct authority to set qualitative standards. We do that in certifying schools as eligible through either our recognition of the work that accrediting agencies do as well as our reliance upon the State licensing requirements from the respective States.

We are strengthening our expectations particularly of the accreditation agencies, and we are asking you as a part of this proposal for some additional authority to strengthen the Secretary's role in directly assessing quality using some specific indicators.

We also have a study underway that ought to be finished sometime in the next 2 to 3 weeks that hopefully will help us to very carefully distinguish between what is a good and what is a poor school, particularly proprietary schools, and I think that that study once it is completed will be very, very helpful not only to us but to you as we try to deal with this particular question.

Senator COCHRAN. I appreciate hearing that. I am encouraged by your response and look forward to working with you and the members of the committee to provide you with this additional authority. I think it is something we should seriously consider doing.

I have one other question and that is in connection with another way of financing college education, and it is the way that most Americans frankly have to do it, and that is to either save or borrow money on their own, or individuals who want to go to school to get jobs and do, as the Secretary said, as over half the students at the University of Tennessee, and that is to get a part-time job. I know that's the way my parents went to school, that's the way I went to school. There are a lot of people in America still doing that without the benefit of these programs.

In trying to provide some kind of incentive, though, for folks to continue to do that rather than to rely if they don't have to on Federal assistance programs, I hope part of your program can be support for the President's savings plan initiative, the deductibility of some amount of interest or in some way to encourage individuals and families to assume a greater amount of responsibility for the expense of their own education. It would seem to me to be something that is certainly equitable and attractive. I know this committee doesn't have jurisdiction over the tax laws of the country, but I hope that as part of the effort to attract attention to things

that do need doing that the Department of Education this year can really push that very hard.

What is the plan, if there is one? There is no mention about it in the testimony because it doesn't come under the Higher Education Act, but what is the attitude of the department about that kind of initiative?

Secretary ALEXANDER. Our general attitude, Senator, is if the President is for it, we're for it. I'll ask Sally Christensen if she has anything to say about it.

Ms. CHRISTENSEN. Senator, there was a new program started a couple of years ago whereby a family can purchase bonds and redeem them, and they would be interest-free as far as tax purposes go. We have consulted with Treasury, and they are continuing to push that. There may be something that we would want to look at and see if those benefits could be increased or whatever—but right now, once they cash those in, they can be used for educational purposes without paying taxes on them.

Senator COCHRAN. Thank you very much.

Thank you, Mr. Chairman.

Senator PELL. Thank you.

Senator Bingaman.

Senator BINGAMAN. Thank you, Mr. Chairman.

Mr. Secretary, thank you for being here. First, a general statement that my perception is that you have a lot more authority than you may think you have. For example, in the area of revising forms, is it your view that we need to legislate in order that you would have the authority to revise these application forms?

Secretary ALEXANDER. Well, in one area, yes, the consolidation. I'll let Sally speak to that.

Ms. CHRISTENSEN. Part of that proposal for consolidation is for instance right now our multiple data entry agencies that collect the information and then feed it into the central processor, we are proposing to simplify that, and it is by law that we have to provide five or six specific contracts to do that. We can simplify that by combining them into one and maybe having certain regions pick up that information from the applications and feed it to the central contractor. But that proposal does require legislation to do it.

Senator BINGAMAN. And you are going to propose legislation to us in that connection?

Ms. CHRISTENSEN. Yes. We'll give you a summary of the whole thing.

Senator BINGAMAN. Let me ask the same thing about accreditation agencies. You folks have to approve these agencies that do the accrediting, do you not?

Secretary ALEXANDER. That's correct.

Senator BINGAMAN. Don't you have fairly substantial authority to disapprove those agencies if they don't meet certain criteria that you establish—or again, do you see a need for us to legislate?

Secretary ALEXANDER. That's a very timely question, Senator. Obviously, one way to assure quality of all these institutions, some of which are problems, some of which Senator Cochran says might be shams, would be for the accrediting agencies and the State licensing agencies to do a better job.

It may very well be that we are not as aggressive as we ought to be in accrediting the accrediting agencies, so to speak, and that we also may need to take a look at our regulations which we have, which are limited. Now, those are in turn based on law, so it may be that we have to come back to you for legal change, but I don't think we should start there. I think we need to clean up our own way of looking at things first and then see if the law is in the way; I'm not ready to say to you we need a change in the law.

Senator BINGAMAN. I would again just reiterate that I think you have a lot of authority that has not previously been used in the department——

Secretary ALEXANDER. We agree.

Senator BINGAMAN [continuing]. To bring these folks into line if you think they are not doing the job that needs to be done. I think you can get them into a room and say, "We want a better job done, and here is what has to be done."

Secretary ALEXANDER. You may hear from a lot of people if we start doing that.

Senator BINGAMAN. Well, that's fine. I'd be glad to hear some complaints from some of them. But I encourage you in the effort; I think that is a good place to put some pressure.

Secretary ALEXANDER. Thank you.

Senator BINGAMAN. The chairman in his opening remarks made the statement, and I have made it myself, and I have read it numerous places, that we have seen a relative decline in the number of minority students in higher education during the last 10 years. Is that consistent with your understanding, and if so, why?

Secretary ALEXANDER. Senator, my experience has been that the number of minority students as a percent of all the students is a little less than percentages of the population would indicate that it ought to be; that it is skewed even more because more of the African-American students, the black students, go to historically black colleges, so if you go then to a land grant university, you'll have fewer students of African-American descent; and third, that while the numbers may be not bad in the freshman and sophomore years that the real problem is the persistence to graduation. Our real challenge is not only how do we encourage more disadvantaged students who are minorities to go on to college, but how do we then make certain they get on through to the end.

Senator BINGAMAN. Well, I assume we all agree we have a problem there. I guess my question, though, is the problem more severe today than it was 10 years ago, and if so, why? All the figures I have seen indicate it is worse today than it was 10 years ago. We have fewer minorities entering school, fewer staying in school—Blacks, Hispanics, or Native Americans. I'd be interested in your views as to why that might be the case.

Secretary ALEXANDER. I'm not sure I understand all of the reasons. I have run into some pretty unusual things in dealing with this, including families who didn't want their children to go on to college because the families themselves had not, and it was a matter of education.

One reason may be that the value of the Pell grant as a proportion of the cost of going to college for the poorest students has become less. That is one reason why we recommend taking the

available money and focusing it more on the poorest families and significantly increasing the size of the grant.

Research has shown that for the poorest families especially, the size of the grant makes a difference in whether they are going to college.

Senator BINGAMAN. I guess I wonder if you also have done any analysis as to whether your proposal here to essentially drop approximately 400,000 people from receipt of Pell grants will worsen the situation as regards minority students in these statistics I was referring to or improve the situation because you are giving more to the poorer students.

Secretary ALEXANDER. Obviously, we would hope that it would help. We would be concentrating more of the money and making grants 50 percent larger for the most disadvantaged students, and those are disproportionately minority. The students who might not then be getting the grants—and we need to be up front about that; this is concentrating the same amount of money on fewer students, giving them more money, so some students aren't going to get it—some of those would be students who had received a grant but were not progressing in college. Others would be students who had been defined as independent students but would not be under the new rules.

So we hope the answer to your question is that it helps.

Senator BINGAMAN. Well, isn't this something that would be subject to analysis? Couldn't you hire somebody who has some capability as an economist or educational specialist or surveyor who could give you a projection as to what is going to happen to the percentage of minority students in our schools if your proposal is adopted versus if we stay with the present circumstance? It strikes me that that is something you could get a pretty good handle on before we rush ahead and adopt your suggestion here. I would hate to see that situation become worse in my State, and I know a lot of Hispanic and Native American families in my State that may have an income of $12,000, and they would not qualify, or their children would not, under your proposal, as I understand it.

Secretary ALEXANDER. Senator, I would say one thing and ask if Ms. Christensen might comment on it. The amount of money available under this proposal for families that make between $10,000 and $20,000 would not decrease; it would in fact slightly increase.

Sally, would you like to comment?

Senator BINGAMAN. And that's for the Pell grants?

Secretary ALEXANDER. For the Pell grants.

Ms. CHRISTENSEN. Right. I would just make three comments. First of all, I think we are beginning to get more data now than we have ever had in the past as far as the individual student aid recipients from what we call NPSES, the National Post-Secondary Education Survey. We will look at that right away and see if there is some more detail on your particular question.

I think also, though, that we need not look just at the student aid or the Pell grant dollars in our proposal. For instance, our consolidation under TRIO is designed specifically to get at the at-risk populations which constitute a very high minority percent, and they are the ones that we're trying to get at to encourage to go into college and stay there because the money is there for them if we

can be sure that they all know about it and will take advantage of it and are encouraged.

Second, even at the graduate level, we are proposing to consolidate six of our graduate fellowship programs. Three of these now are directed to under-represented populations, but we would consolidate all of them, and they would all be directed on a need basis and to undergraduate populations, into areas where they have not traditionally been represented. So I think in that kind of an emphasis, we can encourage them to go into these other fields also. So you really need to look at our total proposal in whole.

Senator BINGAMAN. Could you get us the statistical basis or the analysis that you are depending upon to conclude that the families with incomes between $10,000 and $20,000 are in fact not going to be dropped out under this proposal——

Ms. CHRISTENSEN. We'll be happy.

Senator BINGAMAN [continuing]. Because my information from our staff and others who have talked to me is that that is the group that is going to take it in the neck under your proposal; it is the families with incomes between $10,000 and $20,000. They are the ones who are going to drop out of the program in order to implement your proposal. If that's not the case, then I need to hear that.

Ms. CHRISTENSEN. We have tables right now in fact that do provide that kind of data, that take sample cases and show not just Pell and GSL recipients, but build in some of the other campus-based programs to give examples of how moderate-cost schools as well as low-cost schools or even high-cost schools would receive a package of aid. So we'll be happy to insert that in the record.

Secretary ALEXANDER. The answer, Senator, is yes, we will give you that information, and I think we need to be very up-front about that, that when we take the same amount of money and concentrate it on the lowest-income students and increase their grants by 50 percent with the hope that they will then be more likely to go to college, that means there will be a fewer number of students who come from families with more money who aren't eligible for Pell grants. We don't want to play games with you. That's the choice that we're making. But we will supply you with that.

Senator BINGAMAN. Thank you very much.

Thank you, Mr. Chairman.

Senator PELL. Thank you very much.

Senator Jeffords.

Senator JEFFORDS. Thank you, Mr. Chairman.

I'd like to put my written statement in the record.

Senator PELL. Without objection.

[The prepared statement of Senator Jeffords follows:]

PREPARED STATEMENT OF SENATOR JEFFORDS

Let me also welcome Mr. Alexander to this hearing in his new capacity as Secretary of the Department of Education. It certainly is a pleasure to have you here today and I look forward to your testimony and to working with you in the upcoming reauthorization of the Higher Education Act.

Discussions and proposals regarding changes to the Higher Education Act have been on-going for some time now.

While specifics of such proposals may vary, certain overall themes have emerged. Among them, the need to: Balance grants versus loans, target aid to the middle-income, simplify student aid forms, improve early intervention and fund programs for construction and renovation.

These issues, to name a few, will be considered during reauthorization. Two specific concerns high on my priority list are early intervention and facility renovation and construction.

Early intervention into the lives of disadvantaged youth has been promoted by numerous groups. Students at the recent joint hearing testified to the need and GAO has documented the usefulness of such programs in recent reports. During the recent reauthorization hearing I held in my state, Vermonters also expressed support for such proposals.

I recently introduced a bill, S. 585 to create early intervention partnerships, states would be encouraged to create comprehensive early intervention programs to provide disadvantaged students with the opportunities and support to stay in school. Mentoring, counseling, before and after school tutoring and simple encouragement would be available to students.

I hope that this proposal will be incorporated in some fashion into the Higher Education Act and look forward to working with the administration on this.

The other issue of grave concern is the deteriorating state of our university and college infrastructures. A recent study indicates that facilities represent higher education's largest capital asset, an aggregate of over $300 billion. They are a critical resource for the preservation and enhancement of America's educational enterprise, a resource at risk. That same report identified that a total of between $60 and $70 billion is needed to renovate all campus facilities nationwide that are currently in disrepair.

Despite this need, Grants for Construction, Reconstruction and Rennovation under Title VII of the Higher Education Act has never been funded. Loans under title VII have only received scant funding as in the case with the National Science Foundation's Academic Research Facilities Modernization Act. I would like to see this situation changed—I believe the need is apparant.

I am hopeful that reauthorization will be the tool for a number of these important and necessary upcoming months and working together with you.

Mr. Secretary, it is a pleasure to have you here. I look forward to working with you, and I certainly deeply appreciate the President's goal of being the "education president," and I want to do all I can to help.

I agree that to become internationally competitive, higher education plays a very important role. Most of the areas, I agree with, but there are a couple that I want to talk about where I have some serious problems.

First, I agree that we need to have early intervention, and I have a bill which goes in that direction. I think our goals are the same but the methods are different, and I'd like to work with you on that.

The two areas, though, that I have some substantial disagreement with. First of all student funding. I'm looking at both the broad and long range as well as the short range. In the 1985 bill I got an education commission created which is looking at where we ought to be, especially with the family responsibilities, 20 years from now so that we can try and work in that direction.

The problem that I have serious disagreement with you is your change in the definition of independent student. If your proposal was to say that all parents are legally liable to educate their children up to age 26, I could not disagree with you. However, you may remember around 1970, we reduced the age of majority from 21 to 18 and at that time therefore created the opportunity for many games to be played in the funding of higher education and the eligibility for both Pell grants and student loans.

Some of my discussion goes back to studies that were done 5 years ago. But right now, for instance, if you take a deduction for those 2 years plus the 4 years in college, you get an advantage in dollars of somewhere between $4,000 and $5,500. If you don't take that deduction for the last 2 years, and then you either have your child go live with Aunt Millie or somewhere else, you become eligible for $9,600 in Pell grants now, and you become eligible under your program for $14,800 in Pell grants by making that student become independent. In addition to that, you become eligible for Guaranteed Student Loans.

What this does is it puts the pressure on families to play games—and we saw a tremendous increase in the number of independent students occur after this happened—and you give a serious economic disadvantage to what I call the All-American family that is doing exactly what we want them to do.

I was the one who put the age of 24 in there to say that we ought to have a logical policy here and say that at some point, age 24—and I liked 22 because I thought that was a more appropriate age—we don't need to play games anymore, and we'll treat them as independent students. So that if we move in that opposite direction, it seems to me we are going to continue to increase the pressure, so that right now you can set your student up and pay him under the table. And at least the studies that were done in 1985 indicated that a large number of families were doing that because if you took their resources and examined them, there was a large gap as to where the money came from—and obviously, under the tax laws you can give a young adult $10,000, and it is unreportable.

And the reason I guess I am a little bit more incensed by this than I might be is that we found in Vermont that hardly anybody at least at that point was doing this, but that nationwide it was getting up close to 50 percent.

My point is I think we should make sure that as we go forward we understand what is going on here, and I personally think we ought to say, okay, up to age 26, everybody is legally responsible for the higher education of their kids, and then you can make exceptions to that. But if we do it the other way, I think we have bad incentives in there. So I am going to fight you on increasing the age to 26 because I think that is a bad way to go in the future.

I would agree to Senator Cochran in addition to that that we've got to provide positive incentives for families to be ready to support

their kids in higher education rather than negative incentives where it is much more opportunistic to get off of it. So that's one area of disagreement that I have.

The second one is I am concerned—and I know that your State has done a lot in this area—but we did some studies back then, and I was able to get a little amendment on which is now in NSF where you can get some hope for help for colleges—I'm not talking about MIT, but I'm talking about those that have difficulties—in improving their science facilities. The administration is against the funding of that. This past year there were over 400 applications for the $20 million is available. National studies show that we have billions and billions of dollars that we are behind in our science facilities and academic facilities generally.

If we have a national priority to become competitive internationally, and we don't have some way or are at least beginning some thinking as to how we can help these universities be brought up-to-speed in all the tremendous technology that has taken place in the last 20 or 40 years—we haven't done anything since the end of World War II in this area. We have a title VII which is not very usable, and I would hope that you would take a look and see what we can do either by changing title VII or expanding the NSF grants to be able to help these universities get up-to-speed in high-tech for science.

Fifty percent of our graduate students in these areas come from the nonprestigious institutions. They are not all from MIT and Harvard and RPI. Fifty percent come from elsewhere, and they don't have the facilities anymore to give them the kind of background they need.

I'd like your comment on both of those questions.

Secretary ALEXANDER. On the independent student question, I'd frankly like to learn more about it and talk with you some more about that so I understand where you are coming from. I have some reactions to that, and I have studied our position, but I think maybe it would be good if I could sit down with you and talk about that—I'd look forward to that—rather than just give you some off-hand reaction.

Senator JEFFORDS. I'd like to do that, yes, sir.

Secretary ALEXANDER. Second, I'm in a little bit of a transition here from a person who had his cup in hand to one who is now talking about how tough it is with the Federal deficit, etc.

Obviously, to maintain America's competitive edge, we need good science facilities. Whether the Federal Government has money for that, I don't know. It probably traditionally wouldn't be a part of this department; it would be more likely to be the National Science Foundation or other agencies—but that doesn't mean I'm not interested in it, and I think I should be interested in it as part of the general role of education, so I will make it a point in talking with National Science Foundation and with the other agencies that are part of the administration to find out what is going on with that, what we ought to be doing, and I'll talk more with you about it.

Senator JEFFORDS. I'd appreciate that, especially if you would take a look at title VII and see if there is anything we can do to improve that to make it work. I don't know what it is, whether it is matching grants or trying to get business involved in helping with

grants or whatever it is. But it seems to me if we have this huge need out there, and it is a serious detriment to us in becoming internationally competitive, that it is something that even if the budget is a problem, we at least ought to raise the cry and the awareness of the serious problem and try to at least give some guidance in how to take care of it.

Thank you, Mr. Chairman.

Senator PELL. Senator Wellstone.

Senator WELLSTONE. Thank you, Mr. Chairman.

Secretary Alexander, good to see you.

Secretary ALEXANDER. Senator, good to see you.

Senator WELLSTONE. I don't know where to start. There have been a lot of questions asked, and some of them were questions I had, so I will simply skip over them. Let me try and frame four questions for you. Two are kind of specific; the first one is more general.

You are Secretary of Education, and you are going to be a fervent visionary for young people and education. I have heard you several times talk about this trade-off on the Pell Grant Program—more for the poorer students, but fewer students will qualify; less for moderate or middle-income, however we define it.

Let me ask you in your heart of hearts—I am making this a very personal question—as Secretary of Education, do you believe that this should be the trade-off as we try to develop good public policy for education of our young people? Do you think this is the trade-off that we should accept as a matter of what would be the most desirable—let me use that word—desirable public policy in higher education?

Secretary ALEXANDER. Senator, I have lived in a world for many years where I have had to make budgets and where I didn't have unlimited expenditure. I did that as a governor; I did that as a university president, and I now work as part of an administration that does that. I have never been in a situation where somebody just said, "You've got all the money in the world to spend; spend it however you want."

So what we've got here is $6 billion to spend on 3 million Americans or 3.4 million Americans. I would prefer to spend it on the poorest people rather than those with more money, and that is the policy judgment I think that would make the most sense, especially given the fact that anyone who attends a publicly-supported institution—and 10 million of our 13 million college and university students do—arrive with about, in our State, a 70 percent subsidy from the taxpayers to begin with.

So the answer to the question is that I think it is the right way to spend the $6 billion available—focus it on the poorest families to substantially increase by 50 percent the amount of money they might have to go to college.

Senator WELLSTONE. I have no problem with providing more support for the poorest families, but then we go back to our States, and we hear all the stories about students selling plasma and working two jobs and teachers who talk about students who are exhausted. We know that the budget has changed, and it has shifted dramatically from the grant part to the loan part, and we know

there are going to be some costs here. So I'm just asking you whether or not in fact you think $6 billion is enough.

Let me just ask you—there is a question of this is the budget we have to work with. But you are Secretary of Education, and there is another question. As Secretary of Education do you believe that we are investing enough money in the Pell Grant Program in terms of what is good for our young people, what is good for higher education, and what is good for the future of our country; do you believe it is enough?

Secretary ALEXANDER. Looking at our country as the whole, the condition of the economy and the size of the Federal deficit, I think that we are advocating a very reasonable proposal.

Now, if we want to raise taxes and invest more money in America, why, perhaps then you would have more money to spend. But I am having to get used to how you spend money you don't have to begin with. I have never done that before in my life until I came to Washington 3 weeks ago. And I am quite serious about that. I went through 8 years of making up budgets as a governor and always had to either raise taxes or cut funding.

Earlier I was talking about where we were in 1958 when I went to college and law school. I had scholarships, and I worked. And there weren't any of these programs. Now, one out of every two students who attends a college or a university has a Federal grant or a loan in addition to whatever public subsidy they get at the State-supported institutions. Now there are community colleges where you can go for $200, $300, or $400 tuition, and those are going up. It is not easy to continue your education, but I think the question is how do we best spend this $6 billion in grants and then another $10 billion in loans.

Senator WELLSTONE. Let me ask you a quick follow-up question because I have a couple of other questions, and I fear I'll use up all my time with this one question.

I can fully appreciate what you said about what you have to do as governor; you balance the budget. And when you decide that there are priorities you believe in, you raise the money. What would you think about the idea of making the Pell Grant Program an entitlement program and raising the necessary resources for it?

Secretary ALEXANDER. Generally speaking, Senator, I don't believe in entitlement programs.

Senator WELLSTONE. All right. Let me go on with another question, although I want to suggest that I believe it is difficult for the President to call himself the "education president" and to talk about education and young people, kind of like politicians kiss babies, unless we are willing to dig into our pockets with the resources. And I don't find it to be a very rosy picture as I travel in Minnesota in terms of not only what the students are telling me but what their families are telling me. I think they really are feeling the squeeze that Senator Dodd talked about.

Let me move to the State level. In your written statement—I came in late, and I apologize for that, but I don't think you said it today in the testimony—you referred to a proposal that would require the States to give full faith and credit backing to the designated guarantee agencies. I'd like to get some more details on that proposal because I think that is a very significant proposal which

alters some of the responsibility for higher education financing, and I don't think you have spelled that out in detail. Could you tell me a little bit more what you have in mind?

Secretary ALEXANDER. Thank you, Senator.

If I may, Deputy Secretary Sanders has spent most of the last 12 months working in that area, so if he could comment on that I would appreciate it.

Senator WELLSTONE. Please.

Mr. SANDERS. Thank you, Mr. Chairman, Senator Wellstone. Yes, we have gone through particularly the aftermath of the HEAF crisis and have looked at what kinds of systemic changes do we need to make to the system. We have clearly identified that there ought to be some other risk-sharing in other places in the system. One of those is at the State level.

States have a responsibility toward this program in that we rely upon their State licensing requirements to set the standards of quality along with accrediting agencies, as we discussed earlier.

When a crisis does occur such as in the HEAF situation, where the State has actually been a participant in and in part responsible for this situation, we believe that they ought to share in the risk if indeed there is a failure in the guarantee agency that is designated for the particular State. What we have envisioned is that the State, after a point in time where loans default above a certain rate, or if the guarantee agency were to go under, would actually share financially in what is required to make that agency solvent.

Senator WELLSTONE. Mr. Sanders, let me just try and give you a State perspective. Secretary Alexander talked about being Governor Alexander, and you have to balance the budget. The States are trying to do that. And States all across this country are already facing real strained budgets, having to make a lot of cuts. This decade of the Eighties, States were given more and more responsibility with less and less resources. I think many people at the State and local level feel rather betrayed by that.

Now, it seems to me what you are asking is that the States, which are facing extreme budget crises and are already burdened, be burdened with this additional risk. And I think a lot of States would want to argue that the reason for some of the problems with HEAF is that you had so much shift from grants to loans that it became impossible for many young people in good faith to pay those loans back, and now you are asking the States to essentially have to deal with this cost.

Mr. SANDERS. We're not asking the States to essentially have to deal with the cost. We are asking them——

Senator WELLSTONE. The risk.

Mr. SANDERS [continuing]. To assume part of the risk, a very, very small part of it, and they are participants in this process. We are asking them fundamentally to take a greater sense of responsibility toward their oversight of institutions that are domiciled in their States. That is what we are wanting on the bottom line. To get that, we are asking them to participate in the risk-sharing.

Senator WELLSTONE. Would you call this a shift in responsibility for financing in higher education? Would you call this a significant shift in the roles between Federal and State governments?

Mr. SANDERS. No, I would not.

Senator WELLSTONE. Let me just ask a couple of specific TRIO questions, if I could. One program that you are seeking to eliminate is the educational opportunity centers, which are targeted as I understand at women on welfare and also on individuals who have lost their jobs and need retraining.

How does your pre-college block grant program propose to address the post-secondary needs of this population? It is obviously an important population.

Secretary ALEXANDER. Senator, if I may, we of course propose to increase funding for the programs that have been part of TRIO and then increase the flexibility that people in States and communities have to do the same sorts of things.

Ms. Christensen has been working on that, and I'd like for her to comment.

Senator WELLSTONE. Yes, and one thing I am interested in—I understand full well about the funding, but it is a block grant proposal, so I am interested in whether or not there is any clear guidance on this.

Ms. CHRISTENSEN. That's right. It is consolidating the old program. We are not eliminating the purpose of the old program; it is a block grant. In administering this block grant in fact, the funds would be given out to the States on the basis of their Chapter I allocations, and you would have colleges and universities working in partnerships with elementary and secondary education school districts so that they could work directly with the secondary students to encourage them to go into post-secondary education. These are exactly the kinds of students that you are describing that would be much more focused in this, because you'd go directly into those Chapter I areas and have both the school officials and the higher education officials in the TRIO program go out and work with them and provide the same kinds of service but in a more coordinated fashion; the exact same kinds of services, but merely enhanced, actually, would be provided to those same people that you are talking about.

Senator WELLSTONE. In 10 seconds or less, I understand that that can happen, but in the past with TRIO it has been the institutions that have shown the sensitivity to working with low-income citizens that have made that commitment. Is there anything that is built into the block grant program where we can have assurance that in fact these segments of the population will be dealt with?

Ms. CHRISTENSEN. Those assurances would definitely be built in, both through the formula that would be used in the States as well as the requirements in the law that would say that the States and school districts have to take certain requirements into account in dealing with these problems. These are exactly the kids that we are going at.

Could I just add one other "P.S." to your overall problem.

Senator WELLSTONE. Sure.

Ms. CHRISTENSEN. We certainly all understand your concern. Secretary Alexander obviously was not here when we put the total budget together, but I did work with the administration in doing that, and we had to make some hard choices. What we looked at was the appropriate distribution between elementary and secondary dollars and post-secondary dollars, and we thought it was a

very good distribution. At the elementary and secondary level, we are intent on reaching the national goals and ensuring that the kids as they come out of high school are much better prepared to go into college so that they can meet their requirements in college, and that was the rationale for this.

Senator WELLSTONE. I'm concerned it's not going to work with this block grant proposal. There is more to say, but I understand full well what you say in your testimony.

Thank you very much.

Thank you, Mr. Chairman.

Senator PELL. Thank you very much.

Senator Kassebaum.

Senator KASSEBAUM. I have no further questions, Mr. Chairman.

Senator PELL. I have just one question, and that is regarding the legislative language concerning the administration's proposals. When will the legislative language be ready and submitted to us?

Secretary ALEXANDER. Mr. Chairman, 2 to 3 weeks, if that would be acceptable. We are hard at work on it.

Senator PELL. That would be great. I have several other questions that I'd like to ask you to respond to in writing, and some of my colleagues may do the same.

Secretary ALEXANDER. We'd be happy to respond, Mr. Chairman.

Senator PELL. Good. Thank you very much for being with us. It was a good hearing.

Secretary ALEXANDER. Thank you, Senator.

Senator PELL. The hearing is adjourned.

[Whereupon, at 12:02 p.m., the subcommittee was adjourned].

REAUTHORIZATION OF THE HIGHER EDUCATION ACT

FRIDAY, APRIL 19, 1991

U.S. SENATE,
SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES, OF THE
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Catonsville, MD.

The subcommittee met, pursuant to notice, at 10:05 a.m., in the Humanities Lounge, Building Q, Catonsville Community College, Catonsville, MD, Senator Barbara A. Mikulski, presiding.

Present: Senator Mikulski.

Senator MIKULSKI. Good morning, everybody.

I am Senator Barbara Mikulski, and I am a member of the Senate Labor and Human Resources Committee. Today we are here to consider the reauthorization of the Higher Education Act.

Before I open the official hearing—and this is an official hearing, complete with recorded testimony, and we are functioning under the auspices of the Senate Labor and Human Resources Committee—I know my good friend and new president of Catonsville Community College, Dr. Fred Walsh, wants to welcome all of us.

Dr. Walsh.

STATEMENT OF FREDERICK J. WALSH, PRESIDENT, CATONSVILLE COMMUNITY COLLEGE, CATONSVILLE, MD

Mr. WALSH. Thank you very much, Senator Mikulski.

On behalf of the Board of Trustees of the Baltimore Community Colleges and the faculty and staff of Catonsville, I'd like to welcome you all this morning and take a moment to introduce Ms. Nancy Hubers, who is representing the Baltimore Community Colleges' Board of Trustees this morning.

It is my pleasure to welcome you to Catonsville Community College. Having Catonsville selected by Senator Mikulski as the site for the reauthorization of the Higher Education Act hearing is indeed an honor and a privilege. To my knowledge, this is the first time that a public forum of this nature has been conducted on a community college campus in Maryland.

Senator Mikulski, on behalf of community colleges statewide, I thank you for this recognition of the important place community colleges hold in the higher education community.

The reauthorization of the Higher Education Act is critical to the success of higher education in general and especially to community colleges. Because we believe that education is a right of all citizens, we must strive to provide equal access to educational opportunity.

The programs established and maintained through the Higher Education Act make access to education a reality for many who might otherwise be unable to attend.

Education opens the door to a meaningful participation in a healthy and productive society, and the Higher Education Act is the key to education in a democratic society.

Senator Mikulski, once again welcome to Catonsville Community Colleges, one of the Baltimore County community colleges. Your dedication and tireless service on behalf of the citizens of Maryland and of the Nation is to be commended and is met with heartfelt appreciation. From the Volunteer National Service bill to the Tech Prep bill, your commitment to improving the quality of life for Marylanders and for people nationwide is evident.

Thank you for your tremendous support of education in the Free State, and I now turn the floor over to you.

OPENING STATEMENT OF SENATOR MIKULSKI

Senator MIKULSKI. Thank you, Dr. Walsh.

Good morning, everyone. I would like to officially open this hearing.

The U.S. Senate is considering the reauthorization of the Higher Education Act. The Higher Education Act is the congressional and governmental framework for the funding of individual student aid to provide access to higher education.

This legislation was created in the mid-1960's. At that time, our colleges had a certain look, our college students had a certain age, and the Federal budget also was in a different shape.

Now, almost 25 years later, it is time for a new look and a time to recognize the new realities of what students are facing, what the schools who are trying to provide opportunities for them are up against, and how we can make sure that the U.S. Government and the legislation it passes is user-friendly.

I'd like to welcome everyone to this hearing because as we all would agree, access to higher education has always been one of the crucial components of the American dream. Parents dream of giving their children the key to a better future. Young people and people of all ages dream of acquiring the tools they need to carve out a life as a doctor, an engineer, a teacher or as a technician.

But education is not only meant to teach people utilitarian skills, but to prepare them for a way of life in democracy.

Why, then, should the U.S. Government be involved in helping people achieve the American dream? Well, it is this Senator's belief that when we help people get themselves educated, the benefits of that investment are not only in you, but in our whole society. The better educated we are, the better prepared we are, we are then getting our country ready for the 21st Century, to be good citizens, to be good parents, and to be generally good Americans.

But millions of Americans never have a chance to realize this dream because of the way higher education is currently functioning. I want the people of Maryland and all those who seek the American dream to know that Senator Barbara Mikulski is absolutely on their side.

I am concerned about the fact that for the middle class, in order to pursue higher education, we often have to become tuition-poor to be able to do that; that when we take a look at the eligibility for higher education, if you have a combined family income of over $35,000, you are left out. If you have assets either in your home or in a small business, for which you have an enormous amount of sweat equity and cash, it is tough luck for you.

Also, when one takes a look at the forms that you need to fill out every year around Thanksgiving, well, that doesn't talk turkey to anybody.

So this morning we want to take a look at any of those issues that you would like to share with us. I know as I listen to the testimony here that my goals are very straightforward. First, I want to expand the opportunity structure in this society. I want to make sure that the middle class has the opportunity to participate in the Higher Education Act and to make sure that those who want to be the middle class also have access to this.

Second, we want to make sure that we know how to pay for the expanded opportunities we wish to create by taking a common sense approach to the default rate.

Third, we want to take a look at the way you have to apply, in a way that you do not have to hire fancy-priced accountants to show you how to get around the rules rather than your own good judgment on how you can comply with the rules.

Today we are going to hear from our Secretary of Higher Education, representing our governor. We are going to hear from the presidents of colleges within our own State—public institutions, the private independent colleges, and the community colleges. And we are also going to hear from students themselves.

Feel free to tell me your ideas. Feel free to tell me about your experiences. And I really want to hear the recommendations.

College costs have changed, college students have changed, and we want to make sure that although the profiles of the institutions have changed, the opportunities that have made our country great are still there and will continue to expand.

So that is the framework for the hearing, and I can't wait to hear what you've got to say to me. I am going to listen very intently. We are going to have a formal record, and everything that you have to say to me today, I will formally present to my colleagues on the Senate Labor and Human Resources Committee, and you can be sure that anything you tell me, I'm going to listen to the stories of your lives and of your institutions, so when I speak up with this voice that God has given me, I will speak with the voice of the angels because of what you've told me.

Having said that, I'd like to now welcome Dr. Shaila Aery, Secretary of the Maryland Higher Education Commission, who will be representing the ideas of Governor Schaefer and the Maryland General Assembly.

STATEMENT OF SHAILA AERY, SECRETARY, MARYLAND HIGHER EDUCATION COMMISSION

Ms. AERY. Senator Mikulski, thank you for the opportunity to be here. The governor sends his "thank you" for the opportunity in

Maryland and for your being on one of our community college campuses.

I am testifying today on behalf of the governor and on behalf of the Maryland Higher Education Commission, and I want to personally publicly thank you for all the advice you have given us in this State over the last couple of years and join the governor in thanking you for your leadership on higher education issues.

As background to the governor's position, Senator, I'd like to talk a little bit about what is happening in Maryland and what has happened in the last couple of months, last month particularly, on higher education financial aid.

The General Assembly recently passed, as you know, an Omnibus Higher Education Reform Act for student financial aid, and in that vein I notice in the audience today Delegate Galiazo from Baltimore County, who was one of the legislators who was important in passing that omnibus bill.

The bill in Maryland—and I think it is a model—says that no one will be denied access to colleges in Maryland if they have the ability and if they worked to go to college. It also significantly expands the middle-income access. It does lots of things. One of the things that I think is very important in this bill is we looked around in Maryland, and approximately 53 percent of our 260,000 students in Maryland are part-time. We have no part-time student financial aid except what colleges could eke out of very difficult budgets.

So for the first time in this bill, beginning in fiscal year 1993, we will have a part-time student scholarship program, and we may be the third in the Nation to do that.

We have in the program also for middle-income students raised the maximum allowance for those students, and we have indexed that allowance of what they are eligible to receive by where they live in the State. We know that a student who comes from a family of four and earns $35,000, and they live in Montgomery County, which is one of our wealthier counties, that is not very much money. But that same $35,000 in Garrett County may be very different. So we have indexed the middle income to the area of the State, and we have used the Bureau of Labor Statistics to do that.

There are lots of parts of this bill. The "guaranteed access" part is I think the centerpiece of the effort, that is, to every young person in Maryland who is low-income and poverty, we say if you take high school and high school college preparatory courses, if you make a C-plus average, if you are accepted to a college in Maryland, that we will pay not only tuition but books, room and board, and incidental expenses. That is a very different approach than most States have used, and this money will be available for the first time in fiscal year 1995. I think it says a lot about Governor Schaefer and about the Maryland General Assembly that in a time of recession, they made that kind of a pledge to the young people of Maryland.

One of the most important things and one that will lead me into the six points that the governor has on reauthorization is to make the point that much of the success of the Maryland bill depends on early intervention. We have over the last year and a half in Maryland had five early intervention projects going, because that leads

into particularly guaranteed access. Students have to know what courses to take and have their abilities and their skills sharpened.

In the early intervention programs, we have five projects in the State, and approximately 1,600 middle-school students have participated, 17 of the counties and Baltimore City, in which we involve the colleges in the area, the schools in the area, the communities, the parent-teacher organizations, to counsel these students on what kind of skills they need and what kinds of things they need to go on to college.

I have heard some of the testimony from the early evaluation, and the stats always impress me but the students have been remarkable, students who never even thought about the possibility, who are now talking about what they need to do in high school to go to college; they have the ability, but they never had that hope.

I guess the No. 1 one reason that Maryland looked at this kind of a program is that it is the right thing to do, and the Maryland governor and the General Assembly believe we should do the right things. But second and as important in some ways is that our work force is changing just like the rest of this country, and we need to make available and make it possible for those people who have historically been ignored by post-secondary education to have an opportunity to go on to post-secondary education so that we can succeed as a State economically.

There are six points the governor wishes me to share with you today, Senator. The first one has to do with the Pell grant. He believes, as does the Higher Education Commission, and I think probably you do, too, that if at all possible, the Pell grant should be an entitlement program. Governor Schaefer understands that that may not be feasible given the budget enforcement act the way it is today, but he would at least encourage that we look at linking the Pell grant awards to some inflationary index or cost-of-living index.

He would encourage the Congress to increase the amount of the Pell grant from its current $2,300 to anywhere between $4,000 and $5,000.

The second point the governor adheres to the first point, and it is closely related, is that we begin to be very serious about reversing the current imbalance between grants and loans. That is what we have tried to do in Maryland with the Maryland Financial Aid Reform Act.

Third, the governor urges the Congress—along with your earlier statements—to really strengthen financial aid for middle-income students by strengthening self-help programs and finding new incentives to encourage families to save for college and not penalizing families for saving for college. In the Maryland bill, there is an authorization for an advisory group with the treasurer as the head to begin examining for Maryland zero coupon bonds for middle-income student families for savings, and to encourage savings.

Fourth, the governor would like to encourage Congress and you to look at the banks continuing to be involved in the student loan program. As an aside, I would say that from a prior State experience where I had the loan authority—and I was glad when I got to Maryland that I didn't have that student loan authority—that along with the banks doing that, that the guarantee agencies in

the States need to really force the banks to practice due diligence; that that is an important part in the loan default process.

The fifth point of the governor, and particularly important to Maryland, and one that I think is our No. 1 priority, is that as you look at the State Student Incentive Grant Program, whatever you do with that particular part of the student financial aid program, Maryland and all States need some incentives for early intervention programs. We see perhaps redoing that particular program to match State efforts for early intervention programs, or perhaps some of the other dollars, Pell grant and others, will not be as well-used unless we have identified students and helped them early to not only choose college as a way, but to succeed in college.

Finally, the governor has as his sixth point one that you have touched on, and that is that we need to make the financial aid process much simpler. I had the governor try to fill out one of the forms. It is amazing I am still working, actually. [Laughter.] I told him there are lots of Ph.D.'s who can't fill one out, either——

Senator MIKULSKI. I'm sure his comments, like mine, bordered on the volcanic.

Ms. AERY. They didn't border on—they were—they were right there. [Laughter.]

This last year in Maryland because of the governor's real concern and interest in volunteerism, we tried something that helped, but it certainly even made more sense to me as regards the form. We trained volunteers who were ex-teachers and counselors and people around the State, in two or three counties, to teach parents how to fill out the forms in the library and at schools at night. It just became more and more frustrating. We taught the volunteers how to do it.

Senator MIKULSKI. So workshops are not the answer.

Ms. AERY. They are not the answer. It simply is just too complicated.

Finally, the governor would say to you thank you again for your leadership. He would ask that you look at ways that we can have a renewed partnership between the Federal Government and the State and asks you to seriously consider looking at the SSIG as a way for States to match Federal dollars for early intervention efforts.

With that, Senator, I'd be happy to answer questions.

[The prepared statement of Ms. Aery (with an attachment) follows:]

PREPARED STATEMENT OF MS. AERY

Senator Mikulski, thank you for the opportunity to testify today. I am representing Governor Schaefer as well as the Maryland Higher Education Commission. I would like to believe that I am also speaking on behalf of the hundreds of thousands of Marylanders in school today, whose futures will be materially affected by the decisions of the Congress regarding reauthorization.

Senator, I hope you won't mind if I share with everyone here that this is not the first time you and I have discussed the issues confronting higher education in Maryland and in the United States, or that I have the greatest admiration for your dedication and your efforts on behalf of education. There are very few people in public life in this entire country who have spent as much time as you have to further the cause of education.

Before I comment on the Higher Education Act, I would like to tell you something very exciting. Earlier this month Maryland took an enormous step closer to the day

when every young person will have the opportunity to live up to his or her own potential, regardless of whether they are rich or poor. Governor William Donald Schaefer proposed and the General Assembly adopted legislation which, in effect, guarantees that no student will be denied access to a Maryland college education because they are poor and significantly expands financial access for middle-income students.

Actually, the legislature adopted an omnibus bill that revamps much of the State's financial aid policy. For instance, scholarships will be available for the first time to part-time students. That will have a profound impact on the more than fifty percent of our college students who attend part-time. Maryland has moved to offer greater assistance to students from working families by increasing the maximum dollar amount available to low and moderate-income students. We have created a new incentive program to encourage graduates to go into math and science fields in Maryland.

But the "guaranteed access" component of the legislation is clearly the centerpiece of this effort. There are thousands of boys and girls in our schools today who have never considered going to college. They're smart enough. They need to be given some hope. They certainly have the potential to make a valuable contribution to the State. But they don't have any money.

They're so poor that they would laugh if we suggested that they should go to college. But that's exactly what we're doing. Here's the deal that we're going to offer them. They take college preparatory courses. They get good grades. They stay away from drugs. Maryland promises that they will have the money they need for tuition, room and board, books and other educational expenses.

This money will be available for the first time in 1995. Between now and then, we will be working with schools in Maryland to identify middle school students who would qualify for this program and work with them to make sure that they are able to take advantage of this opportunity. We estimate that as many as 5,000 students a year could benefit from this program in Maryland.

The key to the success of the program is early intervention, helping students (and their parents) to see their own ability while it is still possible to select and complete the courses that they need to get into college and to develop the skills required to succeed there. Since 1989, the commission has been overseeing five pilot early intervention projects in various regions of Maryland. The projects involve the joint participation of local school systems, colleges and universities, along with community organizations and local industry. A total of 2,602 middle school students from 17 counties and Baltimore City are currently receiving academic and counseling support services under the program. We expect to use what we've learned from these pilot projects as a basis for a statewide early intervention program.

There are a number of reasons for creating this new guaranteed access scholarship program. The simplest is that it's the right thing to do. No one should be denied the opportunity to go to college simply because they're poor. But there is another, equally compelling reason. In the decade ahead, 80 percent of our new workers will be minorities, women, and immigrants. Maryland's work force is changing rapidly, and if we are to be competitive in years to come we must educate groups that historically have not gone to college for the simple reason that it was unaffordable.

This was one of the major conclusions of the Maryland Higher Education Commission's study of student financial aid policies and programs. The commission spent 18 months on a comprehensive review of existing programs, analysis of current and future needs, and alternatives for financial aid programs in the future. In the process, the commission developed four principles which they believe to be central to any effective financial aid program. I would like to share those with you because I think that the Federal Government should consider adopting similar principles when examining Federal financial aid.

The four principles are predictability, adequacy, equity, and adaptability.

By predictability we mean eligible secondary school students should have some assurance that they will receive financial aid.

By adequacy we mean that programs should meet the needs of the most disadvantaged students and serve the entire eligible population of students.

By equity we mean that students with similar economic circumstances and financial need should be treated fairly.

And by adaptability we mean that the changing needs of citizens and the economy should be accommodated by financial aid programs.

Admittedly, those are issues that must be considered over the long term. The issue of reauthorization is more immediate and I would like to briefly describe Governor Schaefer's recommendations on that subject.

First, we believe that the Pell grant should become an entitlement. Let me add here that Maryland's guaranteed access program, which is known as the Educational Excellence Award, is based on the expectation that students will receive a full Pell grant, with the State making up the difference. This is consistent with our view that predictability is something that students should reasonably expect in financial aid.

In addition, the maximum amount of a Pell grant must be increased from the current $2,300 to keep pace with inflation. The Bush administration is proposing an increase to $3,700, we believe an even higher maximum would be appropriate.

Second, we would urge the Congress to consider shifting the emphasis in Federal financial aid programs away from loans and to grants. The reliance on loans often creates a severe burden on students least able to shoulder that burden. This would remove an obstacle in the path of young men and women many of whom are the first in their family to attend college and who face more than their fair share of challenges.

Third, at the same time, we need to target middle-income students by strengthening self-help programs, and we need to find new incentives to encourage their families to save money for college.

Fourth, we must ensure that banks continue to be involved in student loan programs. They have the experience and the expertise to make sure that these programs are run efficiently and well.

Fifth, I would urge the Congress to use the State Student Incentive Grant Program as an incentive to other States to implement some of the innovations we have in Maryland—a financial aid policy based entirely on need, programs to address the needs of the growing population of part-time students, and early intervention programs to prepare students for success in college.

Finally, we need to make the financial aid process simpler. The financial aid form, and I mean this quite honestly, is more difficult to fill out than any tax form. Families often make errors on the complex form which may cost students financial aid. And some are so daunted by the form that they do not even bother to try to fill it out. To address this situation, this year the Maryland Higher Education Commission sponsored a program in which trained volunteers go into schools and libraries to help students and their parents fill out the financial aid form.

In addition, we encourage the implementation of a single, unified financial aid form, so that students, by filing a single form, can tap into all forms of financial aid.

When we went to the Maryland General Assembly in January with the plan to reorganize financial aid, I fully expected the process to take 2 years. I think it is very telling that the legislature acted quickly and with a great deal of support for this undertaking. Legislators in Annapolis are very much aware of how important it is to the State of Maryland that every student with the ability to benefit from college have the opportunity to continue his or her education.

Senator, I don't think I have to convince you of the importance of providing this opportunity. You have demonstrated your commitment to education throughout your career. I hope that my testimony today will help you convince your colleagues that the Federal Government needs to continue to make the same kind of investment in the Nation.

SCHOLARSHIP REFORM ACT OF 1991

Educational Excellence Award Program—Effective July 1, 1995

—Modifies the current General State Scholarship Program to create the new Educational Excellence Award Program.

—Two major components for need-based student grants:

Guaranteed Access Grants

—Grants of 100 percent of need, after deducting Federal Pell Grant and Family Contribution, up to the price of a public 4-year institution for students identified below the poverty level.

—Students required to complete a college preparation curriculum in high school and graduate with a 2.5 grade point average.

Educational Assistance Grants

—Grants for low to moderate income students for 40 percent of need, after deducting Federal Pell Grant and Family Contribution, with a maximum award of $3,000.

Regional cost of living differences are considered in determining student need.

Part-time Grant Program—Effective July 1, 1992

—New program that provides financial aid to needy part-time students enrolled in degree-granting programs.

Math/Science Student Corps—Effective July 1, 1992
—Creates a Math/Science Student Corps which provides assistance in the repayment of higher education loans to Maryland graduates in math or science fields who obtain employment in occupations requiring math or science skills.

Economic Development Student Assistance Grants—Effective July 1, 1991
—Consolidates five current programs that encourage graduates to work in critical shortage occupations and/or geographic locations in the State.

Legislative Scholarship Programs—Effective July 1, 1991
—Increases the minimum award in the Senatorial Scholarship Program from $200 to $400 and the maximum award from $1,500 to $2,000.

College Savings Bonds—Effective July 1, 1991
—Establishes the Maryland College Savings Bond Advisory Board to provide advice to the Board of Public Works on the marketing of State bonds for college savings.

Distinguished Scholar Program—Effective July 1, 1991
—Requires the identification of Distinguished Scholars after the first semester of the junior year in high school instead of the end of the junior year.

Senator MIKULSKI. Thank you very much, Dr. Aery.

The Maryland program is a very bold program. I would like to ask some questions about the Maryland program and then flesh out a bit more on the Federal reauthorization.

States are doing so many innovative approaches, and we think we can learn from your ideas and experience. When you talk about this guaranteed opportunity structure for the kids or the students in Maryland—we tend to use the word "kids," but our student population, as you said, is everybody from 18 to 68——

Ms. AERY. That's correct.

Senator MIKULSKI [continuing]. And there are a lot of people who are more like 38 and 48 who are coming back to be retooled for new demands in their lives. My question is this. How does the program really work so that a person coming out of school or someone who wishes to return to school would be eligible for what?

Ms. AERY. There are a couple of different parts to the program. Young people who are now in middle-school, we are really aiming the guaranteed access at, and we are, as I said, doing some early intervention projects. We are trying to build into these students the idea of some predictability, that if you do certain things you can go to college. That is one part of it, that is the guaranteed aspect.

Senator MIKULSKI. So that is essentially what I call a "good guy bonus." It is a reward for effort and initiative and self-help and self-discipline.

Ms. AERY. That's exactly right. They have to take the right college prep courses.

Senator MIKULSKI. They have to get themselves ready to take care of the opportunity. Now, not everybody has perfect SAT scores, but this acknowledges the kind of person who would have certainly perfect or near perfect attendance, putting their own sweat equity into a C-plus average, knowing that there are always the intellectual elite who will qualify for things. But this goes to the solid student who says no to drugs——

Ms. AERY. Correct. That's part of it. They sign a contract with us.

Senator MIKULSKI. It is essentially a reward for what we would call good behavior and good effort.

Ms. AERY. We think it is a lot less expensive than other alternatives like prison and welfare programs, for which some of these students are at high risk.

Senator MIKULSKI. I see. Now, if they do that, what will they get? Let's say there is a student in one of our high schools. You have identified them. It is now 1995. What happens to them?

Ms. AERY. The student has been admitted to a college in Maryland. The Pell grant will be the first cut of dollars.

Senator MIKULSKI. So Pell grant is the threshold and the basis platform.

Ms. AERY. It's the basis, that's correct. And then the State will pay up to the tuition cost of the most expensive public campus, which right now is College Park, so somewhere up to that point, at public or private, and room and board, and incidental fees.

So the very poorest students will have the ability to go to college.

Senator MIKULSKI. That's a stunning commitment.

Ms. AERY. For the middle-income student that we have now indexed by parts of the State, we say we will pay 40 percent of costs up to $3,000—they have raised that amount. Some of those students will be eligible for partial Pell grants.

Senator MIKULSKI. But it is means-tested. It will be a means-tested program?

Ms. AERY. That's correct. But the State's part of it again would be based on cost of living in the region where the student came from, the Montgomery/Garrett County kind of thing.

Senator MIKULSKI. I see. Moving over to the Federal program, how would you see us expanding the opportunities for middle-class eligibility. The concern that we have here is that again for young people it is not only income, but it is often the asset, so that where people have worked hard to either own a home, or the parents have a stake in a small business, they are just not eligible.

Ms. AERY. One of the biggest problems for the States is the congressional methodology on financial aid, which ties in with this, and counting assets in a home against eligibility. I think the home equity or the farm or the business needs to be removed, and I know there is a great deal of sentiment in Congress to do that.

Senator MIKULSKI. You are our Secretary of Higher Education, you are our "top gun" in higher education. I'm sure there is a national association that you belong to.

Ms. AERY. The State Higher Education Officers.

Senator MIKULSKI. Are they formulating concrete recommendations to us on both the eligibility and——

Ms. AERY. Yes, we have, and we are waiting right now for the national meeting of the financial aid advisory groups to finish formulating that. But you will be receiving from the State Higher Education Executive Officers information and recommendations.

Senator MIKULSKI. And we are going to be talking to the presidents of a very rich diversity of higher education institutions in a few minutes.

Ms. AERY. Yes, you have a very diverse group here.

Senator MIKULSKI. I just want to ask you the question about banks being involved, because many of these same questions we will also ask our presidents. You say, "We must ensure that banks

continue to be involved in student loan programs." What does that mean?

Ms. AERY. I think there are some who would suggest to you that we might move the loan programs into the institutions. It has been my experience that——

Senator MIKULSKI. To move them into higher education institutions?

Ms. AERY. That's correct. There has been some discussion of that around the country, and we think that that is banks' business, and that's what they do.

Senator MIKULSKI. And if you don't have the expertise——

Ms. AERY. Well, we get into a lot of things in higher education that we shouldn't get into. We should stay with teaching and learning and research.

Senator MIKULSKI. You also say, "Congress should use the student State Incentive Grant Program as incentive to other States to implement innovations like we have done in Maryland; also address the needs of part-time students"—I think many are in the room this morning to hear about this—"and early intervention programs."

Would you like to elaborate on that as well, because I think this is a very important set of issues.

Ms. AERY. The States need some incentive and some assistance to meet particular needs. I think the most important one, again, is our early intervention effort—some way that Congress can give States incentive to match those State dollars so that elementary, secondary and post-secondary are linked together in a more substantial way and that people know early enough. It is not enough just to give a student a grant if they have not prepared for college and if they have not worked on the skills necessary for college. I have seen all the information on Pell grant students and how they drop out of school. So we are saying you could invest that money and have the States match it for early intervention.

Senator MIKULSKI. What you are saying is that the State student incentive program could be used to leverage other resources.

Ms. AERY. That's correct.

Senator MIKULSKI. I have with me today Karen Calmeise, who is my legal counsel to the committee. Do we have any other questions of Dr. Aery?

Ms. CALMEISE. No questions.

Senator MIKULSKI. Well, Dr. Aery, we thank you for your testimony, and we are going to use this as a framework, and when your national association formulates what it has to tell us, we are eager to hear it.

And also as to what you said about the forms, there is usually the feeling that if there were a workshop or something, that if everybody only knew about it, they could do it.

Ms. AERY. I don't think that's true in my experience. And I will be seeing you for the SHEEO agency because I am on that committee. That is the State Higher Education Executive Officers.

Senator, this is my fourth reauthorization. I think I am getting close to retirement.

Senator MIKULSKI. Well, let's see if you come out with a 4.0 this time. [Laughter.]

Thank you very much, Dr. Aery, for your testimony, and thank the governor.

Several groups have submitted written testimony for the record, and they will be included. I know that there are trade and proprietary schools that wished to testify. There had to be a parameter to the hearing, and we wanted to focus today on degree-granting institutions. But we welcome the testimony, and the record will be open to that for those schools.

We now are going to call forward our distinguished panel of college presidents and financial aid administrators.

We welcome first Dr. Earl Richardson, president of Morgan State University, one of our State's largest historically black colleges; Dr. Martha Smith, president of Dundalk Community College and a member of the Coalition of Baltimore County Community Colleges; Dr. Charles Trout, president of Washington College over on the Eastern Shore, one of our newest presidents in the Maryland college system; and also Dr. Ulysses Glee, who I understand is really the State "whiz" on financial aid and will talk about what it is like handling the financial aid office.

We look forward to your testimony. I think the men and women at the table show the rich diversity of Maryland higher education—independent colleges that range from Johns Hopkins to a small rabbinical school in Maryland, or St. John's in Western Maryland, to Washington College; colleges that have unique student bodies, like our wonderful framework of historically black colleges; the community colleges, which really are a very unique social investment; and our public institution.

We look forward to hearing your testimony, and I will tell you who is on my mind—really, three kinds of students—one, somebody out of Baltimore City or Baltimore County, the dad maybe works at Bethlehem Steel or General Motors, and mom is a paralegal—maybe she herself graduated from Villa Julie college or one of the community colleges. They work very hard. They have a combined income of maybe about $48,000. They have partial ownership of a home they bought early in their marriage, and they have three kids that they love to death and want to give them an education better than they had, but because of their income, which is under $50,000, and that home they own in Rosedale or Arbutus or the Liberty Heights corridor, are not included.

That is one student population. The other is the student who is 28 or even 38 years of age, who has been around the track of life for some time and is either looking for a new wife or surviving an old marriage, knows that they need new tools—and yet, they are not going to go out and buy plaid skirts or khaki pants and wear saddle shoes and be the stereotype of the college student—in fact, they are going as part-timers, and in fact they might even be worried about their own kids going to college.

And then there is the third type of student who right now is the first in their family to ever consider college. They are from a very poor family. Their mother or father might be part of what we call the working poor, who earn the minimum wage, who again love their children to death, and they just see no future for themselves and wouldn't even think about coming to a school like any of you

represent because it is beyond what they even hear about in their lives.

So those are the people who I have in my mind who we want to be able to help. They are the ones who really want to do something with themselves and make a contribution to our society.

Having said that, Dr. Richardson, why don't we start with the president of a very great and very fine university.

STATEMENTS OF DR. EARL RICHARDSON, PRESIDENT, MORGAN STATE UNIVERSITY; DR. MARTHA SMITH, PRESIDENT, DUNDALK COMMUNITY COLLEGE; DR. CHARLES TROUT, PRESIDENT, WASHINGTON COLLEGE; AND DR. ULYSSES S. GLEE, DIRECTOR OF FINANCIAL AID, UNIVERSITY OF MARYLAND, COLLEGE PARK, MD

Mr. RICHARDSON. Good morning, and thank you very much, Senator Mikulski, for the opportunity to participate in this hearing and to represent the views of the historically black colleges and universities in the State of Maryland.

As I sat listening to the Secretary of Higher Education, it dawned on me that many of the issues that she has raised are some of the same issues that we are concerned with, but I think because of their importance they merit, they deserve, emphasis and can be repeated again. So you will hear some of this hopefully from the perspective of the historically black college and the students that we serve rather than in general.

As you know very well, in 1965 Congress enacted the Higher Education Act which provided financial assistance for post-secondary education in two significant ways. First, the act established the Educational Opportunity Grant, which we commonly refer to as the Pell grant, for students from low-income families to ensure that these students had access to post-secondary education.

Second, the act established an interim program of federally-guaranteed reduced interest student loans and stimulated and assisted the establishment of a similar State-guaranteed student loan program at the State level.

The intent of the Higher Education Act was to improve student access, of course, to post-secondary education through a two-pronged approach—a grant program to help lower-income families and a loan program to provide assistance to middle-income families.

Over the last 26 years a number of changes have been made to impact this dual grant/loan policy and the efforts of the aid program to improve the education of minorities and low-income students and fully finance educational opportunities for these students.

In 1972, the Pell grant was first authorized with the enactment of the Basic Education Opportunity Grant, or the Pell grant, and it was, as the Secretary said, to be established as a Federal entitlement program of direct, need-based assistance to students from low-income families.

Over the past 15 years, the size of the Pell grant awards have not kept pace with the increases in college costs, and although modest increases in the maximum award have been authorized by Con-

gress, restrictions in funding for the program have limited the implementation of the increases.

I guess it raises for us the whole issue of the continuing gap between the educational costs and the financial assistance available to defray that cost. It is one of the issues that we are faced with constantly at our historically black colleges and universities because our students cannot provide the difference between the funding that is available through Federal and State financial assistance and the rising financial costs. We will have some recommendations for this.

The second issue that we dealt with had to do with the matter of the shift in grants versus loans in the total student financial aid package. If you were to look 15 years ago, the student financial package consisted of about 80 percent grant and about 17-18 percent loan. If you look at it now, it is about 52 percent loan and about 48 percent grant. We think that has several implications, first, in terms of the indebtedness that our students are asked to carry once they are out of college, and second, in terms of the loan default rate that we talk so much about.

So let me move, then, from that issue of the gap between the financial aid available and the educational cost to the idea of the default rate. We are very, very concerned about that. We know that there has been much emphasis given to it at the Federal level, and we have appeared in other hearings, and rightfully so when you are carrying a default rate in excess of $1.6 billion out of an $8.6-10 billion loan program. But we think that much of the discussion has been misdirected. A lot of the discussion has focused on the institutions' responsibility in helping to address the issue of default.

We would like to say that, yes, the institutions' role is important, but not nearly as important as is the banks' role. They are the ones who make the loans, they service the loans, and they collect on the loans. We believe that a major effort has to be directed there. That is not to say that the institutions do not have a responsibility in emphasizing to the student first that it is in fact a loan, and second, they have a responsibility to pay.

Another very important issue for us is the issue of the form. Secretary Aery referred to that and made some very cogent comments on that, and those of us who are on the front lines and who deal with it on a day-to-day basis feel it very acutely. We believe that the form is so complex that it discourages students from participating in higher education. It also slows down the entire process of the award from the university on the first time around and then the second, the third and the fourth, or for however long they are in higher education.

What we would opt for, then, is some attention to be given to simplifying that form, and again we will be very specific when we get to our recommendations on that.

Also, the indexing of the Pell grant. We talked about how much the Pell grant has grown in comparison with the growth in educational costs. Since 1984, for example, the increases in the Pell grant amount to about 26 percent, while the increases in educational costs have increased about 40 percent.

We agree with the American Council for Education in suggesting that in some way the Pell grant be indexed to inflation or that it at

least be indexed to the Consumer Price Index. We think only in that way can you fix the Pell grant so that we don't have to continue to deal with the whole issue of catching up or having it increase consistent with the increase in educational costs.

I would finally say that the amount of the Pell grant is an important issue. That is part and parcel, too, in the whole issue of educational costs. At this point in time, the total Pell grant authorized is $2,400, and I believe because of funding the maximum award is about $2,300. We believe that if you would take a modest increase in the Pell grant vis-a-vis the educational costs that that should be closer to $4,000-$5,000, as the Secretary has indicated as well.

In summary, then, let me just say that our concerns have to do with the emphasis on grant versus loan; we had hoped to see some shift in that so that it no longer reflects 52 percent loan versus 48 percent grant, and perhaps have it focused such that the grants are more directed on the front end, so that the freshmen and sophomores, the ones who usually default most, don't have to worry about that and it will not impact upon access.

Second, again, the simplification of the form. We are suggesting that the form be simplified and that for renewal we use simply something such as the 1042 that would just update the status of income and so on, so we could quickly refer to that and indicate whether or not there is a change in the eligibility.

And finally, the overall comment I would make is that the historically black colleges for the most part, while they have a diverse population, they are basically high-risk students; they are basically from the low socioeconomic income groups. And we believe that if we are going to be focused on access for this group that the suggestions we have made must be an intricate part of the reauthorization of the Higher Education Act.

Thank you very much.

Senator MIKULSKI. Thank you, Mr. Richardson.

[The prepared statement of Mr. Richardson follows:]

PREPARED STATEMENT OF MR. RICHARDSON

My name is Earl S. Richardson and I am president of Morgan State University a Historically Black university in Baltimore, Maryland. I appear before you representing a culturally diverse population albeit one that is predominantly Black. Among this population, is a substantial number of students who depend heavily upon financial assistance to meet their university costs.

The very opportunity they enjoy and the ability to financially maintain themselves is dependent on the continual availability of sufficient aid dollars to meet the needs of these worthy and capable students.

The following statements convey my thoughts on the recommendations for reauthorization of the Higher Education Act:

In 1965 Congress enacted the Higher Education Act which provided financial assistance to post secondary institutions in two significant ways. First, the act established the Educational Opportunity Grants (now known as the Pell grants) for students from low-income families to ensure that these students had access to post secondary education. Second, the act established an interim program of federally guaranteed reduced interest student loans and stimulated and assisted the establishment of similar State guaranteed student loan programs at the State level. The intent of the Higher Education Act was to improve student access to post secondary education through a two-pronged approach: A grant program to help lower-income families and a loan program to provide assistance to middle-income families.

Over the past 26 years a number of changes have been made to impact this dual grant/loan policy and the efforts of the aid program to improve the education of

minority and low-income students and fully finance educational opportunities for these students.

In 1972, the Pell grant was first authorized with the enactment of the Basic Education Opportunity Grant Program. The Pell grant for the first time provided a Federal entitlement program of direct, need based assistance to students from low-income families. Over the past 19 years the size of the Pell grant awards have not kept pace with the increases in college costs; although increases in funding for the program limited the implementation of these increases. Since 1980, the maximum Pell Award has increased approximately 26 percent while college costs have increased over 40 percent. While the maximum Pell has been increased to $2,400, this award can be no more than 60 percent of a student's cost of education, the current maximum amount being awarded is $2,300.

This practice has become extremely problematic for the low-income student and family. The lack of significant increases in the size of the Pell grants and large increases in the cost of post secondary education has resulted in an increasing number of students from low-income families borrowing under the GSL Program. The lack of grant monies has forced many low-income students to meet their remaining need with loans. This is not what the GSL/Stafford Program was designed to do.

Originally the Guaranteed Student Loan Program was designed to serve students from middle-income families who might not qualify for existing, but limited, aid provided under the National Defense Education Act. In 1978, with enactment of the Middle Income Assistance Act, participation in the GSL program was expanded by the elimination of any determination of need. However, after 1981 the eligibility of middle-income borrowers was significantly restricted; first, in 1981 students whose annually family income was $30,000 or higher than to undergo a needs test to determine eligibility, then, in 1986, the law was changed again to require that all GSL borrowers undergo a needs test. The effect of these two changes was to significantly reduce the eligibility of students from middle-income families, and encourage a high level of borrowing by students from low-income families. Whatever the root causes, reliance on loans has increased as a means of financing higher education studies, especially for low-income students. The ratio of grant aid to loan aid has shifted toward loans. Loans have become the key medium for access to higher education for low-income students. Because of this imbalance that has developed between grant and loan assistance some rather depressing facts have appeared on the financial aid horizon. Fourteen years ago grant aid comprised 80 percent of the student aid package. Today grants represents 48 percent. In 1975 loans made up to 17 percent of students aid, today loans comprise 52 percent of the student aid package. Loans, whether they are GSL, NDSL (Perkins) or Plus Loans, are the major components of the aid package. If we are to maintain our commitment to access to post secondary education for all those with the ability and the desire, and at the same time control student indebtedness and student loan default costs, we must reduce the growing reliance on loans and provide more grant assistance to needy students.

Let me stress several points about loans and loan defaults before I suggest some remedies to assure opportunity and access, especially for low-income students who attend Historically Black institutions.

One, there has been an increasing concern expressed over the level and costs of defaults in the GSL Program, and rightly so. Nationally the annual loan volume increased from $3.0 billion in 1979 to $8.6 billion in 1986. It is close to $10 billion today. Loans entering default totaled close to $1.6 billion in FY 1988, almost 50 percent of the total cost of administering the GSL Program. It is higher today. One thing is clear, the problem is very complex and we must keep the proper perspective. There has been a great increase in loan default costs. Because of the sheer growth in loan volume default costs have increased also. The rate of default in the GSL Program has remained relatively constant. Nationally, approximately 90 percent of those who receive loans repay them. Of the remaining 10 percent who initially fall into the default category, about 40 percent ultimately end up repaying once strenuous collection efforts are undertaken. There is no cause to celebrate even though the 10 percent figure compares favorably with those of other federally subsidized loan programs. We must do more to reduce the present rate.

Who are the defaulters and what schools do they attend? A study, completed in 1988 by a Task Force on GSL Default Rates—Maryland State Board for Higher Education, gives a profile of Maryland defaulters that is similar to characteristics found by researchers in other States. Maryland defaulters are independent students (56 percent), and dependent students (44 percent). The average income of the defaulter is low, ranging from $9,281 at community colleges to $12,480 at independent colleges and universities. The mean income of defaulters is $10,732, and 60 percent of the defaulters reported family income less than $10,000.

Twenty-four percent of defaulters are enrolled in 4-year public colleges and universities, 18 percent community colleges, 4.8 percent independent colleges and universities and 53.6 percent preparatory schools (Trade or Technical). Seventy percent of the defaulters did not graduate from their education programs. Finally, the financial aid package received by these students indicates that the GSL Loan was over half the total aid received.

What is the institutional responsibility within the GSL Program? Institutions do not make loans, they do not service them, and they do not collect them. They also do not make great profits from them. Banks do. Banks with assistance from institutions make the loans, and banks, secondary purchasers, and collection agencies collect loans, not the colleges. In those loan programs where there is significant institutional involvement in making and collection of student loans, post secondary institutions have demonstrated responsibility and responsiveness to Federal regulations. Examples of this are the NDSL Program, Federal Nursing Student Loans, and Health Profession Student Loans.

Some proposals before the Congress would base continued participation in GSL Programs and Title IV Programs on factors over which colleges have little or no control. Perhaps default rates are inappropriately assigned to institutions, since they do not make, service or collect loans. Therefore, to base future GSL decisions on an institutional default rate basis is patently unfair, unrealistic, and unnecessarily punitive to future generations of students. This is especially true for students who attend historically Black institutions, and are Black.

Recommendations

In developing the following recommendations I am guided by three basic principles. First, I recognize the importance of maintaining opportunity and access. Second, I realize and suggest the only sure fire way of reducing default rates and costs is to reduce the need and the number of students who secure educational loans; and third, I am cognizant of the need to simplify and make easier the application process for acquiring and renewing financial assistance.

Reduce Borrowing by Low-Income, High-Risk Students

I support increases in need-based grants at the Federal and State level to reduce borrowing by low-income students. I suggest full funding of the Pell Grant Program to support the raising of the maximum allowable award to $4,000.

Increases in need based grant aid should be available especially to low-income students during their first 2 years; in order to reduce student borrowing and increase student retention. The Maryland study indicates that students most likely to default are those with average family incomes of $10,700 or less; this tends to be the population of students who drop out during their first 2 years of school.

Simplify the Federal Student Aid Application and Renewal Process

Approximately 85 percent of the student population at Morgan State University receives some form of federally supported financial aid. Too often the complex financial aid process and forms to be completed inhibit receiving such aid, the crediting of aid to students' accounts and the students completion of the registration process. I agree with an earlier suggestion to simplify the process and forms used. Let us provide a form applicable for families with incomes of $10,000 or below; submit the presently required Federal income tax form 1040 and/or other evidence that would indicate student eligibility to receive the maximum need-based award. Finally, for students applying for aid following their freshman year perhaps we should simply require only an updating of information, including providing the most recent tax return (1040).

The reduced paperwork would facilitate speedy determination and subsequent awarding of aid to the most needy of students in a more timely fashion.

Senator Mikulski. Dr. Smith, we look forward to hearing your testimony now, representing the community colleges. You are the president of Dundalk Community College. Here in Baltimore County, we have three topnotch community colleges at Dundalk, Essex, and of course, here at this excellent campus at Catonsville. And in Baltimore City, we have the new community college, of which I myself was once a faculty member—I wasn't always a U.S. Senator in a size 14 petite toga—but I also taught at a community

college, in day school, and taught a night school population. I recall it with fondness, and maybe that was some of my most productive contribution. So we look forward to hearing your testimony.

Ms. SMITH. Thank you, Senator.

I am, as you said, Martha Smith, president of Dundalk Community College, and I am also serving as secretary-treasurer to the Baltimore County Community Colleges Board of Trustees, one of whom you met earlier.

I am very pleased and grateful to have the opportunity to address you, Senator Mikulski, and members of your staff—Karen—on the very important matter of reauthorization of the Higher Education Act.

Let me mention first some general facts about community colleges in Maryland and in Baltimore County. Three-quarters of the freshmen and sophomores attending public colleges and universities in Maryland are community college students—and Baltimore County community colleges enroll 25 percent of all of Maryland community college students.

Community college students, as you know, are of all ages and all backgrounds. Specifically, in Baltimore County, they average 30 years of age; the majority female; most attend classes on a part-time basis and work, and 19 percent are racial monitories. Economically, the majority are middle-income and low-income people.

Senator MIKULSKI. Wait a second. I want to be sure I heard this. Seventy-five percent of all freshmen and sophomores attending public colleges and universities in Maryland are community college. But 75 percent of public institutions are in community colleges, and within that 75 percent, 25 percent of the student population is here in Baltimore County.

Ms. SMITH. Twenty-five percent of the students in the Maryland community colleges are enrolled in Baltimore County community colleges; that's correct.

Senator MIKULSKI. Wow. OK.

Ms. SMITH. Thank you.

Senator MIKULSKI. No—thank you. That's great.

Ms. SMITH. About 50 percent of community college students in Maryland are enrolled in college transfer programs. Thus 25 percent of Maryland's 4-year public college students are transfers from community colleges. The other 50 percent, of course, are enrolled in career programs, preparing for jobs in health, business and technical fields.

Financial aid is the centerpiece of access and equity in higher education, and even more specifically, it is tied to the community college mission—to open the door completely to higher education.

While community colleges struggle to keep costs down, tuition continues to increase along with all the other costs of living. In the Baltimore County community colleges, tuition for a full-time student is about $1,000 a year. About $2 million come to the students in the form of Federal financial aid under title IV.

Even with this amount of money available, many needy students receive inadequate funding or fall completely through the cracks because of the way the need is calculated.

Who gets left out? First of all, dependent students with summer earnings from previous years. Summer earnings unrealistically in-

flate what the family contribution is because 70 percent of the student income is factored into the family contribution. There currently is no way to project student income for the upcoming year, so even if a student doesn't plan to work in the next year or for some reason is unable to, her contribution is still figured as if she would be.

Second, independent students with dependents. There are no funds provided to cover external costs. This forces students to turn to loans. These students have trouble making ends meet even without the loans.

The third group is low and middle-income families. A family of five with an income of $26,000 is becoming ineligible. In reality, these families do not have the funds to cover college courses.

The fourth group—and you have talked about this group—is people with home value in equity. Home value in equity, as you have indicated, should not be used as a source of funding for education. It is highly unlikely that these folks will want to mortgage or sell their homes in order to go to college.

Another issue of concern is the SEOG. In years past, the college could use its judgment to determine who could receive an SEOG. Many colleges would give it to the moderately needy student who may not qualify for full Pell or for Pell at all. Now schools are mandated to give the majority of SEOG moneys to Pell recipients. There is very limited ability to consider individual circumstances and give SEOG to the needy, non-Pell recipient. Once again this pushes the middle-income and high low-income students into a loan choice.

Financial aid programs, already complicated, are becoming even more difficult to administer. Many of the regulations are now attached to financial aid administration, making it very difficult for colleges to keep staff trained on the layers of required bureaucracy as well as maintain a service orientation to our students. The financial aid program is already intimidating to community college students without the add-on regulations such as ability to benefit, student right-to-know, campus security, drug use certification, and verification of armed services registration.

In the reauthorization, community college students need to be assured of adequate funding if they are eligible. The program needs to be an entitlement to guarantee a productive future for a very diverse population increasingly lacking the resources for higher education.

The program needs to provide support for part-time students. The majority of community college students are part-time students.

The program needs to better address circumstances which change in students' financial capabilities.

The program needs to be manageable by institutions whose purpose is to educate, not to be the watchdog of every social failing.

The program needs to be inviting and not intimidating to the people who are often the most tentative and most insecure about taking advantage of the opportunities available in this country.

The reality is that financial aid is probably the single most important Federal program, second only to Social Security. Financial aid for community college students means access to jobs and to further education, access and equity for returning women, single par-

ents, unemployed workers, underskilled workers, low and middle class college-age students, displaced homemakers, minorities, persons with handicapping conditions, persons who need remedial instruction to prepare for college work, and many, many more.

We calculate that another $2.5 million is necessary to help students with serious needs in Baltimore County but not currently eligible for Pell grants.

The tragedy is that the regulations clearly disadvantage those segments of our country's population that we are counting on for Workforce 2000.

In Baltimore County our enrollments are burgeoning while State and local dollars are dwindling. The community college is often the only option for low and middle-income people. Without a strong financial aid package including support for our full- and part-time students, we will greatly diminish our service to those who need us most.

Let me briefly mention one other title of the Higher Education Act which is extremely important to community college students.

Colleges with high levels of financial aid recipients and low costs per student are eligible to apply for grants under title III. Recently both the State of Maryland and the Federal Government have created incentives to encourage the development of endowments in colleges by matching funds raised from private corporations and individuals.

The Higher Education Act of 1986 under Part C of Title III is a very modest program which should be expanded. This investment by the Federal Government encourages partnerships with business and industry, the development of expertise in resource development, and long-term solutions to financial needs, especially for scholarships and grants to students and support for faculty development.

Currently, colleges which are not recipients of title III, part A or B grant are not competitive for the part C endowment matching program. Removing this restriction and increasing the level of funding in this program can make this, next to student financial aid, the most cost-effective expenditure of Federal dollars.

Endowments created today are available to solve the problems of tomorrow. Endowments help us communicate our values, our commitment to education, to future generations.

Title III, part A also needs to be mentioned today. Community colleges are dynamic, flexible institutions designed to respond to the need at home. That is our mandate—accessibility and responsiveness. In community colleges, funds are not available to start new programs, to refurbish existing programs, to update the faculty, and to take on special projects such as library automation to the extent they are needed.

Only one program in the Higher Education Act addresses the broad issues faced by the colleges, and that is title III, part A. Currently, community colleges receive the lion's share of this program, but very little of any other program in the Higher Education Act.

The title III, part A set-aside for community colleges needs to be maintained because the needs are the greatest compared to other institutions of higher education; the institutions are ready to meet the very complex needs of the diverse student body; more students

are reached for fewer dollars expended; the colleges are committed to access and equity, and the emphasis is on preparing people for jobs and the retraining of the existing work force.

The title III, part A program should retain the set-aside and should remove the dropout period for colleges which have received grants.

Senator MIKULSKI. Dr. Smith, I'm going to have to move you along.

Ms. SMITH. Just two more paragraphs.

While colleges should not be able to request funds for activities they previously made requests for, they should be able to apply for new projects.

My last point. Community colleges for a short time had an office in the Department of Education. Today community colleges are serving over 6 million students, yet at the Federal level there is no spokesperson for this major force in public education. The Senate should endorse the creation of a position such as Assistant Secretary for Community College Education as part of the Office of Education.

On behalf of the Baltimore County Community Colleges, Senator, I would like to thank you for your support and leadership to the citizens of Maryland.

Senator MIKULSKI. Dr. Smith, first of all let me thank you for your testimony and the comprehensive nature of it.

As we move on to Dr. Trout, I know that there is not at the Federal level an Assistant Secretary for Community Colleges. It is a tremendous gap or pot-hole in the organizational structure, and I know you community colleges have been waiting a long time to testify because usually they are not included in any conversations on higher education.

Ms. SMITH. Unfortunately, that's true.

Senator MIKULSKI. And we know that you are going to submit additional material.

We endorse the approach of having an Assistant Secretary for Community Colleges because we think it is probably the most important tool for people who would never consider traditional avenues of higher education.

We are now going to hear from the Maryland Independent College Association, and as you get ready to give your testimony, Dr. Trout, you might share with us the extraordinary array of independent colleges that we are talking about.

Mr. TROUT. Thank you very much, Senator Mikulski.

I am pleased, obviously, to be here before you this morning to offer testimony related to the reauthorization of the Higher Education Act of 1965.

I have been president of Washington College for 9 months, 19 days, 2 hours and 58 minutes, so I am a newcomer to the State and impressed by the support that this States gives for higher education and hope indeed that we can serve in a sense as an inspiration to our Federal partners to help us further.

And it is a pleasure to represent the Maryland Independent College and University Association, popularly known as MICUA, and in that sense I am speaking in behalf of Maryland's private independent colleges, and I guess my message really boils down to this:

Please do not forget the role that private colleges and universities play in this State, this region, and this Nation.

The diversity among independent colleges in Maryland offers students an important choice in terms of size, governance, location, academic program and mission of the institution which will shape their post-secondary experience.

The 18 independent colleges and universities in MICUA located in the State enroll roughly 37,000 students, 15½ percent of all full-time-equivalent students statewide, 12½ percent of the undergraduates, 38 percent of the graduate students, 14 percent of first-year professional students.

Roughly 56 percent of these students are women; 14½ are minorities of which roughly 8½ percent are black.

Student aid from Federal and State sources has been critical to the ability of these institutions to meet the financial needs of our students. This assistance allows independent colleges to be affordable to those very students who bring diversity—blacks, lower/middle-income, other ethnic populations. In brief, Federal assistance for student financial aid makes it possible for the private sector to offer quality academic programs to a diverse student body. Without it, sheer economies will dictate that many of us would become less diverse, less successful, and in some cases be driven out of business.

This Federal aid, so critical to the success of American higher education, and the educational social, economic and cultural health of the Republic, has not kept pace with student financial need.

Specifically, the Federal share of student financial assistance for MICUA institutions declined dramatically between fiscal year 1982 and fiscal year 1990. Student aid available at Maryland's independent institutions is provided by several sources—private gifts, State funds, Federal funds, and institutional funds.

In fiscal year 1982, Federal funds made up 61.9 percent of student financial assistance provided by MICUA institutions. In fiscal year 1990, the figure had shrunk to 34.8 percent.

In contrast, MICUA institutions provided 34.2 percent of total student aid in 1982; 8 years later, the figure had grown to 59.7 percent.

On individual campuses, the amount of institutional dollars contributed to total student financial aid packages can be dramatic. At Washington College, for example, institutional funds in the current fiscal year represent over 75 percent of the dollars needed for financial aid awards. In contrast, campus-based Federal funds—Pell, SEOG, College Work-Study, Perkins—contribute roughly 6 percent of total financial aid awards made.

So this institutional financial aid funding comes at a very high price. If taken from our operating budget, it decreases the amount of money available for science labs, the library, academic programs, and faculty salaries. At the very least, it compromises our ability to offer quality education and in an alarming way strains the very capacity of our institutions to operate.

In conclusion I wish to take just a moment to reflect upon the next decade. If Congress does not emphasize grant funding and does not expand eligibility for Pell grants, we as a Nation will be compromising America's commitment to higher education. And I

happen to think that higher education is a thing that America does particularly well.

As Woodrow Wilson so aptly argued, institutions of higher education are in the business of serving the Nation's interest. If we do not commit this Nation to student financial aid, a college education increasingly will be affordable to only the very wealthiest. Indeed, we will be reducing diversity everywhere—in the quality of academic programs, in the color and ethnic background of our students, in the diversity of faculty teaching those students—and I very much hope that will not be the case.

Independent colleges in Maryland would agree with those who have spoken for the publics about the general thrust of where educational reauthorization legislation ought to go. We too believe in simplifying the process of applying for grants. We too see evidence of the complexity of these forms serving as a barrier. We too believe that an increase in SEOG, in Perkins aid and in college work-study would be particularly important to private institutions. And I must say also that we very much hope that the Pell grant eligibility threshold will be increased to include those who come from middle-income families.

I notice that when the student portion of this hearing begins that we do not have a representative student from an independent college in Maryland, so if I might just speak for 30 seconds for them.

It is easy to make movies of kids who pay $17,000 for room, board and tuition, and to imagine that they all drive Saab's and BMW's. I want to tell you that that is not the case. We too have poor kids. We too have those from the lower middle-income, hundreds of them, even in a school as small as Washington College. And these students play multiple roles, as students, in their extracurricular life, and also working at jobs hours and hours a day. You can see them through Chestertown, serving sandwiches at noon, waiting on tables at night. They too, it seems to me, are worthy of the kind of help that an active and aggressive policy of Federal financial aid could provide.

Thank you very much.

Senator MIKULSKI. Thank you. That was very well-said. The students were assembled by the National Association of Students.

[The prepared statement of Mr. Trout follows:]

PREPARED STATEMENT OF MR. TROUT

Independent colleges and universities are a highly diverse group of institutions responding to the varied needs of diverse students. They include small liberal art colleges, comprehensive research universities, historically black colleges, women's colleges, church and faith-related colleges, and professional schools of law, medicine, engineering and business.

Nationally, independent institutions enroll 21 percent of all college students. Maryland independent colleges and universities enroll approximately 16 percent of all students in the State.

Independent institutions have excellent records of degree productivity, both nationally and in Maryland. Independent colleges and universities award 33 percent of bachelor's degrees nationally and nearly 20 percent of bachelor's degrees in Maryland; and the cost of education per student is approximately the same in both independent and public institutions.

Independent institutions, because they are fundamentally privately financed, are typically dependent on tuition as a major revenue source. Average tuition at independent institutions in 1990-91 is $7,685 nationally and $9,859 in Maryland.

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Preserving and enhancing student access to independent colleges and universities can be a significant outcome of the reauthorization of the Higher Education Act by strengthening and expanding the commitment of the Federal Government to student financial aid programs:

—in constant dollars, the Federal contribution to student aid programs has declined since the mid-1970's
—independent institutions have dramatically increased the contributions they make to student financial aid from their own institutional funds—nationwide, independent colleges and universities annually fund over $3 billion in student aid from institutional sources; independent colleges and universities in Maryland committed nearly $104 million of institutional funds to student aid in Fiscal Year 1990
—much of the financial aid funded by institutional resources helps students from working families of moderate income—those who earn between $25,000 and $40,000 a year—who receive little or no Federal financial assistance to help them meet the costs of college attendance
—a constantly increasing commitment of institutional funds to student financial aid places additional stresses on institutional finances in terms of maintaining or improving academic program quality, physical plant maintenance and renewal, and keeping tuition increases to a minimum

Reauthorization of the Higher Education Act can assist working families of moderate income in several ways:

—by emphasizing grant funding as the primary source of Federal student aid
—by expanding eligibility for Pell grants—under the current program, students from families with incomes above $35,000 are effectively ineligible and students with incomes above $28,000 usually receive only a minimum grant of $200
—by increasing the maximum Pell grant and adjusting it annually based on the Consumer Price Index—grant awards have not kept pace with inflation in recent years; a new award maximum of $4,000 (adjusted annually) would reflect increased costs of attending college
—by increasing Federal funding for campus-based student aid programs—Supplemental Educational Opportunity Grants (SEOG), College Work-Study (CWS), and Perkins Loans awards have been important components of Federal aid to moderate income students; but in the past 10 years funding for SEOG declined by nearly 12 percent, CWS funds were reduced by almost third, and Perkins Loans appropriations fell by more than two-thirds
—by expanding access to subsidized loans for middle-income families—unless eligibility for grant assistance is expanded significantly, students and parents of moderate income need greater access to low cost loans to help them pay for college costs
—by revising statutory need-analysis formulas for grants and loans—to exempt at least some portion of college savings from the computation of expected family contribution and to exclude non-liquid assets such as home equity or a family business from the calculation of eligibility for a subsidized loan
—by creating expanded loan payback alternative—to provide students with maximum flexibility in repaying their loans through such options as loan forgiveness for pubic service or work in critical jobs or extended payment schedules tied to current earnings or increased lifetime earning power.

Senator MIKULSKI. Dr. Glee, we'll now turn to you. We know that you are the Director of Financial Aid, and you see it all, you hear it all, from everybody—from parents, from students who are applying, from administrators like yourself who have to put into effect a program over which they have very little say—and that's why we wanted to be sure we heard from you—and we look forward to hearing from you from your very hands-on experience.

Mr. GLEE. Thank you very much, Senator Mikulski. I appreciate having the opportunity to share my comments with you on student financial aid.

As a practicing financial aid officer for over 20 years, I have seen almost everything that is possible in student financial aid. I benefited from financial aid from 1963-67 as an undergraduate at Flori-

da A&M University, and subsequent to that time I have been at the University of Maryland.

I am a member of the Delaware-DC.-Maryland Association of Financial Aid Administrators, the Eastern Association of Financial Aid Administrators, and the National Association of Financial Aid Administrators, and a friend of many financial aid officers in the State and throughout the country. Also, I represent foremost the students and the parents who are the recipients and the beneficiaries of financial aid—many of the students who could not be here, many parents who would not have their kids in college if it were not for student financial aid.

As a practicing financial aid officer, I must say that it is a very cumbersome and frustrating process in guiding students through financial aid from beginning to end, from the application process in the beginning to the end, when the student must repay the debt that they have created as a result of going to school.

As I look back at the process from beginning to end, and I look back over my career, 10 years ago I was a very, very proud financial aid officer. I could go out and be on the stump and talk to kids about financial aid and without a doubt convince an inner city kid to go to school, to borrow, to work, and that education was the real thing, was the real meal ticket.

But now I am not so sure about that anymore. Ten years ago I used to tell the kids that I used to be in financial aid, but knowing what financial aid can do for students, financial aid now is in me; and without a doubt, I could look a kid straight in the eye and tell them that if they were to complete that application, without a doubt they would get money, a reasonable amount of money, a combination of loan, work, and grant, and without a doubt I would tell them if they worked hard, they could get a degree and ultimately get a job. I can't do that anymore.

As a practicing financial aid officer, I cannot look a kid in the eye in the inner city or in the suburbs and tell them if they complete that application they will get a reasonable amount of financial aid, and that that is the ultimate ticket.

The bottom line to this is that first—and I'm sure you hear this all the time—we don't have enough money, without a doubt, to be able to go to each kid who is eligible for student financial aid. Then, the second part is the portion of money, loan versus grant, when we look at the total amount that is given to kids.

I look back at some of the kids that we have helped and some of the students that I have come in contact with, and one area that has created a huge problem is the large indebtedness that my colleagues have talked about, and you will hear the students talk about, the huge indebtedness of students. Over 70 percent of the financial aid they are receiving now is in the form of loans.

I have students that I am familiar with, that I have been in contact with and know personally, who can't get a job because of the credit report. They can't buy a car. They can't buy a home. They cannot establish a regular life like myself and you because of the high debt burden. They may not be able to get a job that will assist them to get equal pay to pay for these loans.

I had one student by the name of Edward Britton who came to me with a problem of bad credit. He wanted to get a home, and he

couldn't get one. I cosigned for that student, and I have others whom I cosigned for, because I knew that that student would not be able to have a home for himself and his family. He was 27 years of age, and he had three kids.

Well, I can't continue to cosign for students when I know that somebody should help them. He was the major shining star in his family, and he had to set an example. We cannot continue to do that. And I know of other financial aid officers who have gone beyond the call of duty to help their students. There are others whom we have cosigned for, and some have defaulted, and I am paying those loans back just as if they were my own.

Not every family, like my family, has a financial aid officer. I was telling my nieces and nephews and my sister how to be very sophisticated in the process of financial aid—you may not be eligible for financial aid, but I was able to explain to them how they could be able to buy a home—borrow as much money as you can from the financial aid program, buy a home, and after your 4 years are over, you sell the home, and you can pay off your indebtedness. Well, that is just one in a million families who have access to a financial aid officer or to a financial planner who can tell them how to do those kinds of things.

We are talking about the average kid coming in who may not even know how to complete the application. When they get to the front of the application, some of them are so frustrated that they don't even want to sign their name on that application. They look at it, and you tell them that there are two forms out there—and in the State of Maryland, we can tell there is a free form out there, but the other form you may have to pay for; with the free form, they can get a limited amount of financial aid, but it will automatically eliminate them from some of the State programs that they may be eligible for. So the process from the beginning is very frustrating to the kids. They think they have to have an accounting degree or access to a tax accountant in order to complete the form. So it is very horrifying to the average student.

There are several points that I want to make—and I know we are limited in time—that I think are very important and that I think will help us to shed some light on what I think is important and fundamental in adding integrity and having financial aid accessible to all students.

One of the first things that I think we need to do is to combine the needs analysis methods, the Pell grant needs analysis and congressional methodology. Those processes need to be combined. Now, many of my comments you won't find in the text, but these are things that I think are very important. We need to combine those processes because now a kid may be eligible for financial aid under one process but may not be eligible under the other process.

The loan indebtedness imbalance, we need to look at. These kids would rather have jobs. These kids obviously would rather have grants. So the loan indebtedness is something we need to take a look at.

We need to look at the complexity of the form, as I have indicated, from beginning to end; we need to take a look at it and see if we can make it a little simpler. We may not have to go to the point

of having a 1040 because a 1040 may not show everything, but the form needs to be simplified.

We need to restore public confidence and integrity in student financial aid. I had a case in point, and I will not reveal the name, a fraud case—and this was not very typical—but I had a fraud case a few months ago where the student submitted four Social Security numbers and four different names and was able to get significant funds from us. We processed that student through the proper channels, but in the time that it took to process that student through the Federal Government Inspector General's Office, subsequent to that time, that student struck again at another school. Parents are aware of these kinds of things, and I think it is time to restore integrity in this area.

There are some other points I need to make about financial aid. Very specifically, the definition of independent student that is contained in the public law needs to be revised. Parents of independent students plan so their kids can become independent students. The way the process works, the parent would pay for the first 2 years, and then the third year they will take the kid off their income tax and allow their kid to earn $4,000 so that he becomes eligible as an independent student. The families who are able to do this are usually families with incomes into the five and six figures, who can well afford to pay for college and their children's education.

So the statute should be changed to eliminate the clause. The statute would then only allow the following students to claim independent status: students 24 years of age by December 31 of the award year; a veteran of the U.S. armed forces; an orphan or ward of the court; a student with dependents other than a spouse; a married student who is not claimed by anyone other than his or her spouse, and an unmarried graduate or professional student under the age of 24, if not claimed as a tax exemption for the first calendar year of the award.

The above suggestions and definitions would restore a large amount of integrity. There are some truly independent kids out there, many of them, but there are some students who come from very high-income families, and they know how to get around the laws and regulations, and all they are doing is taking money from the exceptionally needy kids and the middle-income kids and benefiting from these programs.

There are two other points I want to make. The first is a way to cure the defaulted loan problem. We have a large amount of defaulted loans out there. I think one way to do that is to increase due diligence. We don't have enough due diligence. When we compare the Perkins Loan Program, the Campus-based Loan Program, with the Stafford Loan Program, the default rate, when you compare each institution to ours, it is about 3 percent on the Perkins loan, and the Stafford loan is about 6 percent.

We control the collection of Perkins loans; the banks control the collection of Stafford loans. We are in touch with the students, some of the students know us personally, so students pay the money back. But the banks are set up by the Department of Education regulations under the congressional methodology, and their efforts are not the same as ours.

The other thing is that I support the recommendation that the institution process student loans. A student can come to me and apply for a Perkins loan, and I can determine within the same day the eligibility of that student. I can within hours provide emergency money for that student. But for a Stafford loan—and I'm proud of my processing time; I can get a Stafford loan in about eight or 10 days. Well, by that time, a student can be out on the street because they haven't paid the rent, or their car is broken down and they can't do anything. But for the Perkins loan that I process on the campus, I can get money for that kid within hours if you compare the programs.

There are some fees associated with the program that are in excess when the banks are involved as compared to the campuses. So I think we need to put this particular program back into the hands of the practicing financial aid officer who is on the front line and who sees the students every day.

Now, I know some of my bankers may be in the audience, and when I walk out of here they'll probably string me up, but this is the way I feel about the loans when you compare the Stafford loan with the Perkins loan.

There is one other point I'd like to make. I think in order to ensure the integrity of the program and ensure that the money is processed timely and students are advised, we need to make sure that the financial aid offices are properly staffed and have people on hand to deal with students, deal with the problems. There are students who may not need financial aid; they may just need someone to talk to, to be referred to other agencies.

Right now I have 325 students employed in the work-study program. Over one-third of those students are employed right in my financial aid office. I want to make sure that financial aid is processed, gets into the hands of the deserving students and is timely. But I'm dependent upon this work force. So the college presidents need to make sure that the financial aid offices are staffed, because it is not enough just to have some money; you've got to go further than that.

Basically, those are my comments. As a practicing financial aid officer, I have seen it all, and I have colleagues in the audience here who may want to share some of my time—I know I have dominated thus far—but those are my comments with 20 years' experience as a practicing administrator and having been a beneficiary.

[The prepared statement of Mr. Glee follows:]

PREPARED STATEMENT OF MR. GLEE

A profile of UMAB's enrollment and student body as of the fall of 1990 is as follows:

—Enrollment for the fall of 1990 was 4,727, 854 undergraduates, 1964 graduates, and 1,909 first professional students.
—Most students are enrolled full time (76 percent).
—More women (66 percent) attend UMAB than men.
—Black students make up 12 percent of the student body. All minorities constitute 24 percent of the total student body.
—Marylanders comprise the majority (74 percent) of the total UMAB enrollment. Students also come from 44 other States, the District of Columbia and many foreign countries.

The number of students receiving some type of financial assistance total 2,209 for the same period. The average financial aid award is $9,845. The ratio of scholarship to loan is 28:72.

The focus of reauthorization in the past and presently has been on undergraduate financial aid. Little or no attention has been given students who wish to continue their education beyond the baccalaureate degree and who are in need of financial assistance. In addition to addressing some issues pertinent to undergraduate aid, I also feel it imperative that graduate issues be included.

The first issue that needs addressing is the *definition of an independent student.*

The definition of an independent student status is contained in statute, P.L. 99-498; sec. 411F (12) Sec. 408(D), and allows a family to actually plan for an otherwise dependent child, to become independent of the parent for purposes of financial aid by the time the student enters his/her third year of college. The way this is done, is the parent will pay for the first 2 years of college, eliminate the child as an income tax exemption for the same 2 years that they are paying for college and assure that the student earns $4,000 for those same 2 years. The families that are able to do this are usually families with incomes that are well into the 5 and 6 figure portions who could well afford to pay for their child's education.

The statute should be changed to eliminate this clause. The statute would then only allow the following student to claim independent student status:

1. A student 24 years of age by December 31 of the award year.
2. A veteran of the U.S. Armed Forces
3. An orphan or ward of the court
4. A student with dependents other than a spouse
5. A married student who is not claimed by anyone other than his/her spouse.
6. An unmarried graduate or professional student under the age of 24, if not claimed as a tax exemption in the first calendar year of the award year.

The above definition would assure that financial assistance is given to the truly needy student.

Extended Deferment for Medical Graduates

Recently, Representative Timothy Penny (D-MN) and Senator William Cohen (R-ME) reintroduced legislation (H.R. 179 and S. 102, respectively) to allow medical residents to defer repayment on title VI loans of the Higher Education Act throughout the duration of a medial residency. This bill needs your full support if the Nation is to provide its citizen in the future with exemplary, affordable physicians.

Moreover, it should be understood that indebtedness and the inability to defer loans could be a barrier to medical education especially for low-income and minority students. Debt is also a factor in decisions about specialty choice and practice location.

Medical school graduates must complete an accredited residency program in order to receive licensure and certification in most States. Residency programs are 3 to 7 years in length, depending on the specialty. The stipends for residents during this training period, according to a study done by the Association of American Medical Colleges, is approximately $25,770 and approximately $32,660 for sixth year residents. The loan indebtedness of medical students graduating from UMAB is approximately $45,000. At the end of the second year of residency training, the loan repayment cost is unmanageable. A significant number of residents find that 12 to 25 percent of their gross income is used for loan repayment. This figure is even higher for minority medical school graduates as their indebtedness levels are even greater (closer to $50,000). Clearly, some will have to make the decision to pay normal living expenses or pay on their loans.

Cures for Defaulted Loans

At present, the only cure for a defaulted loan is to pay off the balance in full. Aid administrators are seeing far too many students who are going into default while enrolled as a full-time student because of an oversight. Students, who for one reason or another, have dropped out of school for a period beyond their grace period, tend to believe that once they have returned to school, and received another Stafford loan from the same bank that somehow it should be known that they are a full-time student. Therefore, they think no deferment is necessary and ignore poor written notices. By the time they receive a call or letter from a collection agency it is far too late for students, parents, aid administrators or anyone else to remove from the default status.

As a parent of a college age son, who has gone into default while attending Morgan State University full time it has been one of my biggest challenges to remove him from the default status so that he can continue his education. The bureaucracy encountered while solving the defaulted situation has been unbelievable. I have been working on a resolution for well over 6 months, to no avail. I maintain, that had due diligence been performed i.e., calling references to inform them that the student was going into default, this situation could have been prevented.

Since lending institutions tend never to lose money on a defaulted loans, because the government pays the lender, there is a tendency not to help resolve these types of situations at the bank level.

SUPPORT FOR DIRECT LOANS TO THE EDUCATIONAL INSTITUTION

It is the opinion of knowledgeable aid administrators in the State of Maryland that it would be much simpler for students and colleges/universities alike if the Stafford Loan Program, as we know it today, was to be converted to and administered like the Perkins loan. Presently, the Stafford Loan Program is costly to students. For example, at my institution a typical student pays $525 in fees on a $7,500 Stafford loan. This fee would be eliminated if this loan program was administered directly by the university. In addition, the default rate on all university administered loans i.e., Perkins, Nursing Student Loans and Health loan default rate is 4.42 percent. The institution tends to do a better job working with students to help them stay out default than does commercial lending institutions. Moreover, the funds that are now being siphoned off the top under the name of fees, and poured into the hands of lending institutions could then be converted to scholarship funds for needy students.

In conclusion, Senator, it is my belief that the government's role in student financial aid is right and good. It has made possible expanded educational opportunities for its disadvantaged citizens, who without some financial assistance could not have afforded higher education. In the future, one-third of this Nation's work force will be made up of minorities. Therefore it is in the national interest to educate the minority as well as their majority counterparts if the labor force is to be competitive with the rest of the world.

Further, it is clear that the Federal Government will be limited in its contribution towards education due to budget priorities. But it is incumbent upon our leaders to set meaningful goals and to establish appropriate monitoring devises to measure successes. The goals set must be clear and obtainable. In addition, the government must encourage organizations and individuals to make their contributions to these goals as well.

Senator MIKULSKI. Thank you very much, Dr. Glee, for testimony that was both energetic and passionate in behalf of the students that you are trying to help.

Let's get into some questions here and have a little bit of give and take based on the very fine testimony we have heard.

I'd like to come back to the issue, if you will—we have talked a lot about full-time students, but the question then goes to the part-time students and what happens to them in the student loan process. In other words, how do you define a part-time student, and then are they eligible for assistance, and what has been your experience in that area.

Dr. Smith, why don't we kick off with you—that is usually the returning homemaker and the older student.

Ms. SMITH. Yes. I wonder if I could also introduce "wizard number two" who is Vince Baccora, who is the financial aid officer for Essex Community College and represents the financial aid officers for the community colleges.

Vince, could you respond to the Senator's question?

Mr. BACCORA. Thank you for the opportunity to respond to the question, which I understand had to do with the part-time population and perhaps examples of how we are dealing with that population.

It is probably one of our greatest failings. The part-time population is eligible for far less, in my opinion, both at the Federal and State——

Senator MIKULSKI. Well, let me ask the question again quickly because we really have to move along.

Mr. BACCORA. Certainly.

Senator MIKULSKI. Are part-time students eligible for higher education assistance?

Mr. BACCORA. In some instances, they are; typically, the 6- to 11-credit student.

Senator MIKULSKI. Six to eleven credits. And then for the older student, is that essentially the workload that they carry as they move in their steady pace toward a degree?

Mr. BACCORA. I think the non-traditional student, the older student, typically is a part-time individual. If I could just give one example, I have a student whom I was working with last week who earned $10,000 last year. He is divorced, and he is trying to create a new life for himself. He doesn't qualify for any Pell grant money. He is taking 11 credit hours. He is trying to work and go to school. I can't really help him except for some loan money.

Senator MIKULSKI. So this is a serious issue.

Mr. BACCORA. I believe so.

Ms. SMITH. If I could just add one more statistic, at Dundalk Community College, the average credit load for our student is 7½ credits. So to answer your question about that, it seems to be the pattern of how they would complete. As we see it, there is really no such thing as a 2-year degree anymore because an associate degree takes 4 to 6 years.

Senator MIKULSKI. This turns me then to the 4-year people, Drs. Richardson, Trout and Glee, that the whole idea of people starting what has been traditionally called the 4-year program has now been stretched out by many students to five, six and seven because of the indebtedness issue.

How are they, then, regarded in the framework, and is this also the experience that students take longer to graduate because of the need to have part-time jobs, etc., to finance education?

Dr. Richardson, that is your population.

Mr. RICHARDSON. Yes. I will quickly defer to the "guru" Ulysses on this, but let me just say very quickly, yes, indeed, that is the case because many of our students do take reduced loads, and they must maintain at least 12 credit hours in order to be eligible for total financial aid. But some of those students who used to take 15 to 18 hours no longer take 15 to 18 hours. They will reduce that load so that they can get employment elsewhere, and that does tend to stretch it out.

The worst scenario is that the student cannot defray costs so he drops out of school for a semester or so in order to replenish his financial resources and then comes back.

Senator MIKULSKI. Dr. Glee.

Mr. GLEE. We are finding that we are getting a significant increase in the number of part-time students. First, it is taking the average students longer to graduate, approximately 6 years, from the University of Maryland College Park. They are getting older. There are more single female heads-of-household who are now in

the part-time category, and the numbers are steadily increasing. I don't know whether it is the economy, broken homes or what, but those numbers are increasing.

Eight years ago, the No. 1 priority at College Park was the full-time student because we only had so much money. But now it is the part-time as well as the full-time. They have equal priority at our College Park campus.

The problem is that money runs out, and they are left out just like the full-time student. We can't say to the part-time student you are going to get money before the full-time—it is just first come, first served. But we know that the population is increasing, and the demands are greater.

Senator MIKULSKI. Dr. Glee, before I turn to Dr. Trout, let me ask you this. I want to know if people now are being penalized for hard work and their own sweat equity. Here is the situation. They are trying to go to school, whether it is to a fine community college or a fine 4-year program. They don't have the money for whatever it is. First of all, eligibility knocks out people who we define as too affluent to quality for student loans, but they are in this background, which I know we're going to hear about from the young people. So they will then take a job—the $10,000, as you said, is not a lot of money. In many instances it is more what I call the "McNugget" job level, just to keep themselves going. And then, when you do all your calculations, the more that they earn to try to help themselves, they are then penalized from getting student assistance, and therefore they have to take less credits to earn more to make up the deficit. So we are essentially pushing out these kids who are just plugging away, trying to do it.

Mr. GLEE. You are absolutely right.

Senator MIKULSKI. In other words, our framework is an absolute deterrence to the hard workers and the ones who are trying to keep themselves going with a lot of self-help and self-initiative.

Mr. GLEE. That's right. For the student who earns $10,000, $12,000—and they can do this—the eligibility in terms of access to these programs is not the same as for a family of four earning $25,000. Many of those students are denied access and are not eligible because they are earning too much money. They are not denied complete access.

Senator MIKULSKI. So what we need to take a look at is what I'm calling the good guy/good gal bonus, that if you are out there slugging it out, trying to help yourself, you should not be penalized for it in terms of the student assistance framework; that should be acknowledged, and we've got to acknowledge real world economics, not something from a booga-booga/saddleshoes era—am I correct?

Mr. GLEE. That's correct.

Senator MIKULSKI. Sometimes we act like Donna Reed is going to college with Robert Young in "Father Knows Best."

Dr. Trout, did you want to comment?

Mr. TROUT. Just very briefly if I may. I think it is a very rare independent college in America that aids students for more than eight semesters. Occasionally, you find the most affluent institutions will allow 10 semesters of aid. I think one of the most unfortunate consequences of that is that there are certain students, and they tend to be high-risk students, who could benefit from a some-

what slower pace of their education, and I think particularly in the sciences. But as things now stand, as I say, that opportunity really does not exist because the funding is not there.

Senator MIKULSKI. Well, I want to talk about some of your find independent colleges like Loyola night school. I taught at Loyola night school, along with my little career at CCB. You have a night school population which in some ways is really their only way of being able to go to school. Notre Dame College has the weekend college, which has been a very bold and innovative idea. And again, I guess that would fall into the part-time category.

So for the independent colleges and also the public universities, the night school crowd is another whole population, and in my mind they are what I call the part-time students.

Mr. TROUT. That's right. We also have a number of non-traditional students over the age of 25, roughly 30 of them. Many of them are on a part-time basis and will be going to Washington College for 6 to 8 years before they finish. Every penny of that is now privately funded through the DuPont Foundation. At the end of next year, that funding source dries up. We feel a commitment to seeing those students through, and it is going to be a very big-ticket budget item for us in the years ahead.

Clearly, if consideration could be given to this kind of part-time non-traditional student or part-time traditional students, it would be helpful.

Senator MIKULSKI. I understand. Let's take the displaced homemaker who is going to the Notre Dame weekend college. Let's take the young woman or young man who have decided they want to do that nursing program—or maybe they have done 2 years at Essex, Dr. Smith, and want to swing over to Notre Dame's 4-year nursing program—but they are going to do it part-time. Aren't these the kinds of students where everybody is piecing together what they are doing—2 years here, matriculate there, pay this off, save up to go on to wherever. It seems to me that is what everybody is doing, and they're probably eating Rolaids as an entree and doing shooters of Mylanta to get themselves through—along with you doing the same thing. [Laughter.] Am I on the right track here?

Mr. RICHARDSON. I think you are absolutely right, Senator, on the part-time. An increasing number of our students all over the colleges and universities are part-time students. But I also want to keep us focused on the traditional college cohort, the 18- to 24-year-old, because not only are you talking about tuition and fees; you are talking about a whole different set of cost factors that includes lodging, food, and the tuition and fees.

At our university, for example, for an out-of-State student, you are now talking about something in the neighborhood of close to $9,000. For an in-State student, you are talking about something in the neighborhood of about $7,300. Now, when you begin to recalculate and ask, then, what is available to that student in terms of financial assistance, you start with the Pell grant, saying that he is eligible for maximum and talk $2,300—you know you have a long way to go to get up to the total educational cost.

So when you cannot bridge that gap with grants, then you focus on that issue again of shifting to the loans. That brings in the indebtedness issue, and beyond that, then, drawing out the amount of

time that a student is in a college or university, when he has to drop out because he does not have the money to defray total cost and stretch it out that way as well, and then, of course, when he has to reduce his course load such that he has to work at a job.

Senator MIKULSKI. Vince.

Mr. BACCORA. Yes, I'd like to pick up on your remarks about the displaced homemaker, the non-traditional student. I think it is easy for the average American to focus in on exactly what Dr. Richardson has said with respect to room and board, living on campus, that traditional image. What we are having trouble focusing on and understanding and therefore helping adequately is that displaced homemaker who is harder to visualize as a student—the one who is trying to secure a babysitter so that she can come out in the evening for those one or two courses during the week; who doesn't have discretionary income to handle the transportation costs associated with that endeavor or the extra costs associated with taking that course. So it goes beyond what the basic grant, or Pell grant as it is now called, can handle and forces this woman in this case into a loan situation that she is afraid to death to get involved with.

So I would say that we need to have a better image of what non-traditional means with respect to the uniqueness of that population so that we can create programs that adequately address those needs.

Senator MIKULSKI. Last year I proposed to reduce the student contribution. This was during the budget deliberations that you all witnessed on live time. I tried to get a little line item through to reduce the student contribution from 75 percent to 50 percent. That was stripped out of the final bill.

Would that be a tremendous help, or what would be the impact of that—give me a grade. Would that be an A-plus or a C-minus?

Mr. BACCORA. We're moving a long way if we can do that. I think it is a tragedy that we'd ask again for after-tax income to be assessed at 70 percent for dependent students. That is absolutely ridiculous.

Senator MIKULSKI. But could you give me a grade on it?

Mr. BACCORA. The 50 percent would definitely get into the "B" category, I think, Senator.

Senator MIKULSKI. That's about what I was at Mount St. Agnes. [Laughter.]

I want to raise a touchy topic, which is the default rate and how to handle defaults. Last year there was in our student higher education programs $2.5 billion lost to defaults. That $2.5 billion could have gone a long way toward expanding eligibility and bringing things up to authentic need level.

Congress and the Department of Education have proposed ways of recapturing this, or minimizing the default rate. Could you share with me what you think we need to be really doing to screen out defaults and to limit defaults, and yet at the same time not have the unintended negative consequence of precluding needy students from applying.

Dr. Glee, do you want to kick it off?

Mr. GLEE. I think one of the things we need to take a close look at when we design financial aid packages for students—and it can

be the result of the legislation—is in that first and second year, if we decide to limit the amount of loans that a student may have, that first and second year are the critical years for that student in determining whether to continue their education or not. I think we need to give a larger loan amount in the third and the fourth years as opposed to the first and second years. If a student drops out, they are more than likely going to do it in that first and second year, so you won't have that indebtedness.

The other thing I think we need to do is to be a little bit more aggressive in the collection, the due diligence. It is not there for the Stafford loan, but it is there with the Perkins loan, because you have contact. It has been proven time and time again. At Tuskegee Institute in Alabama, the default rate is almost zero. At the University of Georgia at Athens, the default rate is very low because they have very aggressive collection, and they have contact with the students. When you compare that with the Stafford loans and the bank loans, it is not the same. It is the personal contact and the personal interest that you show in students and letting them know the benefits of repaying those loans. That makes a difference.

Ms. SMITH. I'll just make a couple comments and ask Vince to add to that. We find in the community college, of course, because our mission is open access that we are serving many, many students who have never been in a borrowing situation before, and we spend a lot of time talking with them about the implications of borrowing and what they are really getting themselves into, and we really have to orient them to this whole process.

One of the major problems we have is that under current regulations, we are not able to deny a student who is eligible for a loan. That is, if a student is eligible for that loan, we have to process it, and we may know that the economic situation of that student is so fragile that if the car breaks down or their child gets sick, we're not going to see that student again. That student's life will be totally disrupted, and their loan will be outstanding.

So we would like to have more control over approving whether or not a student is really able to get that loan.

Senator MIKULSKI. Do you want more discretionary flexibility?

Ms. SMITH. Well, the other side to that is—and of course, this is probably where the other shoe drops—there is not enough money in grants and work-study so that those students who are really economically fragile have to get into a borrowing situation in order to pursue their education. And we know, we are able to identify those students.

Senator MIKULSKI. Do you find when students come to you that they really have a clear understanding what the undertaking they are about to embark upon entails—not only tuition, but, I wandered into a couple of college bookstores on my own with family members, I felt like I was in a designer store. I mean, the cost of a Biology 101 textbook is really megabucks. The cost is as heavy as the book itself. And I could go on. So if you are carrying 12 hours, that's four courses; you figure textbooks at, say, $50 more or less a pop, plus the need to do xeroxing because of the way programs and curricula are, particularly in science, which is often updated through notebook—all of a sudden the students, regardless of their age, are up to $200, $300, or $400 just in books and xerox materials

to take 12 credit hours, which is almost 50 percent of your tuition cost.

Ms. SMITH. Sometimes it surpasses our tuition.

Senator MIKULSKI. In other words, books and so on surpass tuition costs.

Ms. SMITH. Absolutely.

Senator MIKULSKI. And that is a big undertaking. Most people used to say, "I'll get the money for the books." So is that a valid question, and then second, all the counseling that needs to go on, the type that Dr. Glee and other professionals do, are you reimbursed for the counseling time?

Ms. SMITH. No. We are clearly understaffed.

Mr. RICHARDSON. I think the issue that Dr. Glee raised on the front-loading of the grants is a very, very important one that gets at reducing the overall reliance on loans versus grants.

To your question, Senator, about whether or not our students are familiar with what they are getting into, I would have to say that we make a special effort to let them know the total educational costs, and what we can realistically help them with, what they have to borrow, what they can get in grants.

The difficulty comes, however, when they are unable to meet the total cost, and they leave the university. When they leave without the degree, then their ability to earn and therefore repay has not changed from the day that they walked into the university.

Senator MIKULSKI. Except that they have a lot of debt.

Mr. RICHARDSON. They have a lot of debt.

Now, when it comes back to the authority of the university to act, I may differ just a little bit with Dr. Glee on whether or not we should then accept the total responsibility for bringing the loans into the campus because it does entail a major administrative apparatus in order to administer that, but I would say in the interim, the emphasis has to be on the lending institution. We can do everything that we can, and we are willing to do that, but the lending institution has to treat it as any other business transaction.

Senator MIKULSKI. Well, we're going to have to move on to our next panel of students, but before we close out this panel—and I think we could really do a weekend workshop on these issues, and this is not the only conversation we'll have during the reauthorization process—but before I close out this panel, is there anything anybody else would like to say as kind of one last comment for this particular conversation?

Mr. TROUT. I guess I'd like to say one last thing. I must say in preparing for this that one of the statistics that was really so dramatic for me was to look at the Federal financial aid support to independent institutions that was given in 1970, which was about $1.3 billion, and then a dramatic increase so that by the mid-1970's, it was close to $3.5 billion; and then to recognize 16 years after that that it is only $1.1 billion, in a country that talks about excellence suggestions to me that the reauthorization act deserves the most urgency priority and attention that you can possibly give it. So for all your efforts we are very grateful.

Senator MIKULSKI. Thank you, Dr. Trout.

Thank you everyone here for the excellent job you are doing in your community, and as I indicated, we'll continue these conversations.

I note there are many people in the audience, and I see some people in the first row in very crisp white coats. Where are you from.

Ms. YOWELL. The Medix School.

Senator MIKULSKI. You are the students from the proprietary school that also helps people with medical technology. What I'm going to do is ask the next panel to testify, but then when we move into questions and answers, why don't you come up and join us so we can interact with you as well.

Ms. YOWELL. Yes.

Senator MIKULSKI. OK. I want to thank you all very much for coming. I happen to believe that the people who are the most affected should have the most to say, so therefore I am looking forward to hearing the students testify. I know that you also represent the United States Student Association of America, who have been the ones who have been organizing all over the country to make sure we understand the students' perspective whether the student is 18, 28, 38, or whatever.

So why don't we start. I'll ask you to introduce yourselves as you go along, and we're happy to hear anything you have to say.

STATEMENTS OF ANIKE AJAGUNNA, STUDENT, RUTGERS UNIVERSITY, AND MEMBER, BOARD OF DIRECTORS, U.S. STUDENT ASSOCIATION; CLAUDIA LENNHOFF, STUDENT, UNIVERSITY OF MARYLAND-BALTIMORE COUNTY; LISA FAGER, STUDENT, UNIVERSITY OF MARYLAND, COLLEGE PARK; AND MARGARET POST-AURELIO, STUDENT, CATONSVILLE COMMUNITY COLLEGE, ACCOMPANIED BY PAT YOWELL, SHARON SCURTO AND MINDY WAUGH, STUDENTS, THE MEDIX SCHOOL, TOWSON, MD, AND RONA GOLDSTEIN, DIRECTOR OF EDUCATION, THE MEDIX SCHOOL

Ms. AJAGUNNA. I would like to thank Senator Mikulski and the Senate Subcommittee on Education, Arts and the Humanities for asking me to speak today on the student aid system.

My name is Anike Ajagunna. I am a member of the Rutgers University student community in New Brunswick, NJ, and I am also a member of the board of directors of the United States Student Association.

I am originally from the Eastern Shore of Maryland, and I grew up in a single-income household. Despite our moderate income, we did not qualify for Pell grant assistance——

Senator MIKULSKI. Please slow down. I want to be really sure I hear you.

Ms. AJAGUNNA. OK. Basically, what I started to say very quickly is that I am from a moderate income family, a single-parent household, and I don't qualify for any Pell grant assistance, but I do qualify for institutional aid and federally-subsidized loan programs such as the GSL and the parent PLUS loan programs.

Basically, I'm just going to talk about my experiences with trying to finance higher education. Because I was forced to rely on Feder-

al loan programs to help finance my education over the last 4 years, I have already borrowed over $15,000, and my mother has taken out an additional $4,000 each year in the PLUS loan program. So I'm looking at over $16,000 with interest to pay back after school is done, and my mother has already started paying back her loans because in the PLUS loan program you have to pay it back 60 days after original disbursement. She has paid off one so far, so we have three more to go, plus what I start paying back when I am finished school.

I feel the system is difficult to understand. There is a lot of jargon in the financial aid system, and it is difficult to wade through. In high school our guidance counselors tried to give us basic information on how to get through the loan programs and how to finance our education, but I don't think they had any idea how difficult it was going to be, and what happens in the financial aid office versus what they tell you you can get and how to actually go through the whole application process. And even when you get to the university level, the financial aid counselors try, but there are over 40,000 students at my campus, and everybody is trying to get a piece so they can get through school, and the counselors are really overburdened. So they do what they can, but there are a lot of systemic problems that need to be addressed.

One of the worst thing that happened to me was during my second year of school I applied for the GSL and the PLUS loan program and everything as usual, on schedule, filed all my papers on time, and then found out that the money wasn't going to come in time for me to pay the bill. We thought maybe we did something wrong, so we called the financial aid department, and they said, no, that's the way it goes; the bank disburses the money 30 days after school starts—which didn't seem to make any sense because the bill is due 30 days before school starts, and if you had the money in the first place, you wouldn't have applied for the loan. So you ask wait a minute, what's the problem, and they say, well, that's your problem, it's not our problem.

So the way we solved our problem was that my mother had to take a loan on the open market, and luckily she had the credit to get a loan and to pay the bill. So when the money finally came, she kept the money and paid for the next semester because the next semester's check didn't come until after the next semester's bill was due. It just seemed so outrageous. They said that's just the way it works, and I said but it doesn't work. It just seems like there could be such an easier way to do it so the money comes in time for you to pay the bill.

For the most part, when students are applying for financial aid, there are many forms for different things, and there are different forms for a lot of the same things, and there are similar forms for totally different things, and it is totally insane. [Laughter.] I mean, filling out the basic financial aid form is not a basic endeavor, and unless you have a few accounting courses under your belt, you can be totally lost in the system.

First you fill out the form, which has about 15 pages; there is another fact sheet, which is 12 pages, and that still doesn't give you all the information, so they give you these hot-line numbers to call for specific questions, and you may still get it wrong, because when

you get your SAR back, the student aid report, it says you've made a mistake, or there is something that doesn't quite jive with the system. Then you have to send it back and wait for it to come back, and then you take it to the financial aid department, and then you go through the whole rigmarole of applying for loans from the bank and so on and so forth.

My mother and I have somewhat successfully charted the waters of the financial aid system. It just seems as though it could have been an easier road, with the ups and downs and ins and outs. The thing that seemed the simplest was the Perkins loan program, which is a direct student loan, and you don't have to go to the bank and get the form, then take the form to the financial aid office, and then they give you the form back, and you send it back to the bank, and then they send it back and say it's okay, and when you get the money, the money comes from the bank to the school, and you have to go to the accounting office and sign it, and then the bill is paid.

When you get the Perkins loan, when you apply for your institutional aid and after you fill out your FAF, it is all done for you. You go to the financial aid office, sign a promissory note, and it is done. That is so simple. Why can't it all be like that?

So I would definitely say that a direct student loan program is much better for students and for everyone involved.

Senator MIKULSKI. OK. I'm going to have to ask you to conclude because we want to be sure we can hear everyone. Are there any other specific points you wanted to make?

Ms. AJAGUNNA. No. Actually, USSA has put together specific reauthorization recommendations on specific language, and I have those to submit.

Senator MIKULSKI. You can actually submit them, and then in the questions, I'll come back to those specific answers.

What is your major?

Ms. AJAGUNNA. I am a philosophy major.

Senator MIKULSKI. You are very articulate.

Ms. AJAGUNNA. Thank you.

[The prepared statement of Ms. Ajagunna follows:]

PREPARED STATEMENT OF MS. AJAGUNNA

I would like to thank Senator Mikulski and the Senate Subcommittee on Education, Arts and Humanities for asking me to speak today on the student aid system. My name is Anike Ajagunna and I am a senior at Rutgers University and a member of the Board of Directors of the United States Students Association

I am originally from Eastern Maryland and grew up in single-income household. Despite our moderate income I was unable get a Pell grant I received no State student aid and only minimal institutional assistance through the College Work Study Program.

Because of this my mother and I have been forced to rely on the Federal Loan Programs to help finance my education over the last 4 years. I have already borrowed $15,000 at 8 percent interest through the Guaranteed Student Loan/Stafford Loan Program which means I will have to pay at least $16,200 before I will see the light of day. Not to mention the $4,000 in Perkins Loans that I have to pay back as well. My mother qualified to borrow money through the PLUS Loan Program: $4,000 each year at 12 percent interest which she had to start paying back 60 days after the first disbursement. She has just finished paying back the one from my first year of school. One down and three to go.

The system is very difficult to understand. There exist various forms that unless you are familiar with the Federal and/or State financial aid jargon you could never

get through without assistance. High school guidance counselors have basic information about how to get aid but they are unable to chart the waters of most university financial offices. The university financial aid office usually is so busy with the volume of files to process that they provide limited if any detailed information to students and their parents when requested.

Once when my mother called the Rutgers University Financial Aid Office to inquire about the discrepancy between loan disbursement dates and term bill deadlines and she was told that if she did not have the money to pay the bill than she should consider sending her child to another institution. We always fill out all of the information on the student aid application and sent it in well before deadlines. My mother even fills out our income tax returns by the middle of January. However, when I was a second-year student, the loans we had applied for to cover my expenses for that semester were not scheduled to be released by the bank until after the school bill was due. We did not understand why the bank would send you money for a loan that you applied for before the deadline after you needed it. Because you cannot start school until your bill is paid but the money for the bill doesn't come until after school starts. Does that make any sense at all? It seemed completely absurd that it was set up to work that way, as far as we are concerned it didn't work at all. The first time this happened to us the only way we could meet the bill was to take a loan on the open market at open market rates. If my mother didn't have the credit rating to float that load I would have had to sit a semester out of school. We were not given adequate counseling to warn us of such a crucial problem. Many students are not as fortunate as I have been because they were not afforded the same resources I had at my disposal, namely my mother, to keep me in school.

When applying for student aid, there exist many different forms for different things, and then there are different forms for a lot of the same things and then there are similar forms for totally different things. Filling out the basic financial aid form is not a basic endeavor to say the least. Unless you have a few accounting courses under your belt you are in for a long hard ride. The Federal Student Aid Application has fifteen pages and the fact sheet for it is another 12 pages and it does not provide all of the information you need to understand the depth of the process. If you do get through the initial forms you then have to deal with the Student Aid Report (SAR) that they send back after your form has been processed to see what funds you qualify for if any. I could try to give you all the details but it would just bore and maybe even confuse you as it has so many others over the years. There are books published to help students conquer the S.A.T, there should be if there aren't already books to help us conquer the F.A.F. (Financial Aid Form). It would be great to have one finite set of forms that covered all of the financial needs for students with simple and concise instructions.

Well my mother and I have somewhat successfully charted "the rough seas" of the financial aid system and I am going to finish school. Yet I stress the aspect of only achieving a partial victory because as I mentioned before I am in over $20,000 worth of debt so I feel the extra pressure of entering the workforce with large bills to pay before I even get started.

Programs like the Perkins Loan Program are good ways to start simplifying the process for students. When you fill out your F.A.F. and institutional financial aid form the loan is automatically processed for you, if you wish, without hassle or fuss. An education is hard enough to get without making the paper work impossible to wade through.

USSA has submitted a number of detailed legislative proposals for the reauthorization. In particular, I would like to highlight the need to recognize the genuine hardships of middle-income families that are hard-pressed but, because of underfunding and tightened eligibility, are increasingly ineligible for Pell grants or Stafford loans.

Eligibility for these families should be expanded by excluding family farm and home equity for the calculation of financial need, and ensuring that adequate funding is found so that low- and middle-income students have a shot at the college of their choice. Delayed disbursements are an overly harsh approach to the student loan default problem, and better counseling and information dissemination on all the types of aid and the way the system functions are necessary. These are just some of the issues students will be pushing for during this year's reauthorization.

Thank you for your time and I'd be happy to answer any questions you might have.

Senator MIKULSKI. Ms. Lennhoff.

Ms. LENNHOFF. Thank you. I'd like to thank Senator Mikulski for giving me this opportunity to speak.

My name is Claudia Lennhoff, and I am a senior at the University of Maryland at Baltimore County.

After graduation from high school, I attended University of Texas at San Antonio for 2 years. I have always shouldered the cost of my college education by myself. When I started college, my parents were financing both my other brother's college education, and the medical and living costs of my ailing grandmother. Under these circumstances, I felt that it would only create further hardships to ask them to finance my higher education by taking on yet another loan since, as a middle class family, a student loan was probably all that we would have been eligible for. So I attempted to be self-sufficient.

At UT-San Antonio, I had to choose between taking on huge loans or working full-time and going to school part-time. I decided to transfer to UMBC in 1988. I chose to apply for financial aid so I could be a full-time student and be as dedicated as possible to academics.

Although I was lucky to receive a Pell grant, it could cover very few of my costs since as an out-of-State student, my tuition was twice that of resident students. So I had to take out a Stafford loan and Supplemental Loan for Students. In 3 years at UMBC, I have incurred a student loan debt of over $20,000.

This huge debt is primarily a result of the lack of consistency between States and Federal Government over what constitutes a financially independent student. According to the Federal Government, I have been an independent student since 1986. However, according to the residency classification officer at UMBC, I had not demonstrated financial independence, forcing me to pay out-of-State tuition for 2½ years.

Although I could document that I met all of Maryland's criteria for self-sufficiency, I was accused of lying by the residency officer. At times it felt to me like a conspiracy to stop students from becoming State residents so that higher tuition bills would keep coming from them.

I was not granted residency status until after I turned 24 last fall. By then I had amassed a debt of over $16,000 in student loan. And even with my newly-acquired in-State tuition, I had to supplement my Pell grant with working 30 hours a week to cover my college costs. Needless to say, with this kind of work burden, the 4-year plan was not an option for me.

To further complicate matters, my student loan checks always come late. Because they arrive after the semester has started and the tuition bills are due, I have been forced to use my savings to purchase books and supplies, when I really need that money for other necessities such as rent and health insurance. My loan check for fall 1990 did not arrive until late in January this year. In the meantime I had to buy over $300 worth of books with money that I had set aside to pay for graduate school application costs, which applications are usually due by January. I had to borrow money from a friend to pay for these applications.

In fall 1989, my loan check was also late, forcing me to use my savings to buy books, although I had set aside this money to renew

my health insurance that was ending in September. I thought that a one- or 2-month lapse in health insurance was not a big deal. However, in October I was diagnosed with cervical cancer. I then had to try to find a doctor who would be willing to do surgery on a student who had no health insurance and only part-time employment.

Every day that passed was a threat to my life. I ended up having to fly to Texas to be operated on by my previous doctor, who was kind enough to reduce my costs and give me a payment plan.

While I understand that student financial aid is not supposed to be used for health care expenses, the delay in receiving my check put me in a position of having no other choice. Student aid should be provided in a timely manner so that hardships such as mine do not become life or health-threatening.

Thank goodness I am well today. But we are asking Congress to reconsider the 30-day delayed disbursements imposed on Stafford and SLS loans for many students and to not mandate any additional delays on students who rely on the prompt receipt of their loan money to stay in college.

Congress should also ensure that colleges and universities do not impose penalties on students whose late loan checks are not their fault.

At UMBC I was lucky enough to have known someone in the financial aid office who went out of her way to ensure that I would not be charged an additional fee for paying my tuition late because of the late loan check. Other students in Maryland and around the country are not as lucky.

Last, a major problem with student aid is that there is just not adequate counseling and information dissemination. The financial aid office just seems to hand you the forms but doesn't tell you how to fill them out. You sort of learn by doing them.

I just found out by accident the other day that while I am in graduate school I will not have to start paying back my loans nor will interest accrue on the loans. This comes as a big relief since I have $20,000 worth of loans to worry about paying off.

My question is how many students, especially disadvantaged students, are discouraged from pursuing graduate studies because they too lack knowledge about loan deferments and other key facts.

In conclusion, like many other students I worry that I may be forced to compromise on my career interests, which center around serving low-income communities, because I will be forced to take on a higher-paying job that is not in my area of interest just to pay back my loans. Too many students are forced into this situation. Such a dilemma only ends up hurting our Nation.

By instituting the recommendations of USSA and other organizations, we can begin to restore the proper loan-grant balance, ensure more consistency in the student aid system, and help students stay in and graduate from college.

Thank you for giving me this opportunity to testify.

Senator MIKULSKI. You are welcome, Ms. Lennhoff.

Could you tell me what is your major and what year you are in school?

Ms. LENNHOFF. I am a psychology major. I am in my last semester as a senior. However, I am a 6- to 7-year student as an undergraduate.

Senator MIKULSKI. I understand that.

Ms. Ajagunna, what year are you in?

Ms. AJAGUNNA. I am a senior.

Senator MIKULSKI. Thank you.

[The prepared statement of Ms. Lennhoff follows:]

PREPARED STATEMENT OF MS. LENNHOFF

I would like to thank Senator Mikulski, the Senate Subcommittee on Education, Arts and Humanities, and the U.S. Student Association for inviting me to testify today on reauthorization of the Higher Education Act. My name is Claudia Lennhoff, and I am senior at the University of Maryland at Baltimore County (UMBC). I would like to focus on how the rising costs of college and the student aid system are affecting parents' and students' ability to access higher education, and some of the changes in financial aid policy students will be looking forward to during this year's Reauthorization.

After graduation from high school, I attended University of Texas at San Antonio for 2 years. From day one of my college career, I have shouldered the costs by myself. When I started college, my parents were financing both my older brother's college education, and the medical and living costs of my ailing grandmother. Under these circumstances, I felt that it would only create further hardships to ask them to finance my higher education by taking on yet another loan, since as a middle-class family, a student loan was probably all that we would have been eligible for. So I attempted to be self-sufficient. And now my younger brother's private college education has become yet another debt for my parents.

At UT-San Antonio, I had to choose between taking on huge loans or working full-time and going to school part-time. decided to transfer to UMBC in 1988 and withdrew from Spring semester so I could work two jobs and save money for school.

I chose to apply for financial aid so I could be a full-time student and be as dedicated as possible to my academic career. Although I was lucky to receive a Pell grant, it could cover very few of my costs, since, as an out-of-state student, my tuition was twice that of resident students. So I had to take out a Stafford Loan and Supplemental Loan for Students (SLS). My first five semesters were difficult financially and I will be paying for them for a long time. In 3 years at UMBC, I have incurred a student loan debt of over $20,000 that will follow me to graduate school this fall.

This $20,000 worth of debt is primarily a result of the lack of consistency between States and Federal Government over what constitutes a financially independent student. According to the Federal Government, I have been an independent student since 1988 and could qualify for a Pell grant, and Stafford and SLS loans. However, according to the residency classification officer at UMBC, I had not demonstrated financial independence to their satisfaction, so I was forced to pay out-of-state tuition for five semesters. Ironically, the school's standard for financial independence is actually more lenient in that a student has to declare herself an independent, receive less than SO percent of her resources from outside sources, and cannot be claimed as a dependent by anyone. Though I could document that I met all of these criteria, I was accused of lying by the residency classification officer. It almost seemed like a conspiracy to stop students from becoming State residents so that higher tuition bills would keep coming from them!

I was not granted residency status till I turned 25 last Fall. By then I had amassed a debt of over $16,000 in student loans. I had hoped that a Pell grant would cover most of my newly-acquired in-state tuition. However, as it has been throughout my college education, I have to work about 30 hours a week to cover my college costs. Needless to say, this kind of work burden has made it impossible to graduate within 4 years and made my academic work very difficult to keep up on.

To further complicate matters, my student loan checks always come late. Because they arrive after the semester has started and the tuition bills are due, I have been forced to use my savings to purchase books and supplies, when I really needed that income for other necessities (such as rent and health insurance). My loan check for Fall 1990 did not arrive till late in January this year! In the meantime I had to buy over $300 worth of books with money I had set aside to pay for graduate school applications. I had to borrow money from a friend to pay for these applications. In Fall

1989, my loan check was also late forcing me to use my savings to buy books though I had set aside this money to renew my health insurance that was ending in September. I thought that a 1 or 2 month lapse in health insurance was not a big deal since I was perfectly healthy. However, in October I was diagnosed with cervical cancer. I then had to try to find a doctor who would be willing to do surgery on a student who had no health insurance and only part-time employment. Every day that passed was a threat to my life. I ended flying to Texas to be operated on by my previous doctor who was kind enough to reduce my costs and give me a payment plan.

While I understand that student financial aid is not suppose to be used for health care expenses, the delay in receiving my check put me in a position of having no other choice. Student aid should be provided in a timely manner so that hardships such as mine does not become life- and health-threatening.

Thamnk goodness I am well today. But we are asking Congress to reconsider the 30-day delayed disbursements imposed on Stafford and SLS loans for many students, and to not mandate any additional delays on students who rely on the prompt receipt of their loan money to stay in college. Congress should also ensure that colleges and universities do not impose penalties or holds on student identification cards on students whose late loan checks are not their fault. At UMBC, I was lucky to have known someone in the financial aid office who went out of their way to ensure that I would not be charged an additional fee for paying my tuition late because of a late loan check. Other students in Maryland and around the country are not as lucky.

Lastly, a major problem with student aid is that there is just not adequate counseling and information dissemination on student aid. The financial office just seems to hand you the forms but not tell you how to fill them out. You sort of learn by doing. And I just found out the other day that while I am in graduate school I will not have to start paying back my loans nor will interest accrue on the loans. This comes as a big relief since I have $20,000 worth of loans to worry about paying off! My question is: how many students, especially disadvantaged students, are discouraged from pursuing graduate study because they too lack knowledge about loan deferments and other key facts.

In retrospect, I wish that I had known about other options such as College Work-Study and State programs. I thought that student financial assistance consisted just of Pell grants and Stafford loans. The real decline in funding for Work-Study is probably the reason that my package never included work-study, just many loans.

In conclusion, like many other students, I worry that I may be forced to compromise on my career interests—serving low-income communities—and take on a higher-paying job just to pay back my loans. Too many students are forced to choose between paying back their loans and taking low-paying jobs that serve the community. Such a dilemma only ends up hurting our country. By instituting the recommendations of USSA and other organizations, we can begin to restore the proper loan-grant balance, ensure more consistency in the student aid system, and help students stay in and graduate from college.

Thank you for giving me this opportunity to testify today.

Senator MIKULSKI. Ms. Fager.

Ms. FAGER. I would like to thank the Senator for giving me this opportunity to talk to you today about the reauthorization of the Higher Education Act.

My name is Lisa Fager, and I am a junior at the University of Maryland College Park.

I believe that the Federal financial aid programs are crucial to the students' access to higher education, and that they could be working even better if some changes were made.

One of my biggest problems is that fact that I pay for college by myself; yet the Federal Government does not classify me as an independent student. This is a result of the inflexible definition of independent student.

I am originally from Pennsylvania, and I have received virtually no financial assistance from my family since I started college at 18. I am now 21 years old. According to the Higher Education Act, you are automatically considered independent if you are age 24 or

older, an orphan or ward of the court, a veteran, or responsible for dependents other than a spouse. I did not fall into any of these categories, so I had to fulfill two criteria in order to be considered an independent student. One, my parents could not claim me as a dependent on their income taxes for 2 years prior to the award year, and second, I had to have total resources of at least $4,000, not counting support from my parents, during those 2 years.

I met both of those criteria during my first 2 years at College Park, primarily by incurring $10,000 worth of student loan debt. Hence, I thought that for my junior year that I could easily apply for and receive independent student status. I was wrong.

The way the regulations are written, you must be claimed by your parents and have resources in excess of $4,000 the 2 years prior to the first year you received aid—not the 2 years prior to the award year that you are applying for aid. In my case, I am 21 years old, and I was financially independent when I was 18 and 19. However, I was told by the financial aid office that I could not receive independent status unless I had been financially self-sufficient when I was 16 and 17 since I had first received aid when I was 18 years old and a freshman. This is ridiculous. [Laughter.]

Senator MIKULSKI. Precisely. It is ridiculous and it is punitive.

Ms. FAGER. It is like these 2 years of struggling to pay for my college education by myself do not count. I have been self-sufficient for the last 2 years, but it looks like I will never be considered independent by the Federal financial aid system because I was dependent on my parents 5 years ago. This makes no sense.

Clearly, the definition of an independent student must be made more flexible or student financial aid administrators must be more willing to use their statutory discretion to determine a student as being independent even if they do not meet the regular criteria. Unfortunately, because of lack of training or lack of willingness, too many student aid administrators are not giving these students a break.

It is largely because I am still not considered an independent student that I have now racked up a total of $13,500 worth of debt. I am just a junior, and a first semester junior at that.

Despite paying for college all by myself, I have had difficulty establishing Maryland State residency. To pay for my living expenses and out-of-State tuition as a full-time student, I must work 40 hours a week at two jobs and live off-campus. I have had a Pell grant, Supplemental Education Opportunity Grants, Stafford loans, Perkins loans, college work-study, and a minority scholarship. I have had close to everything they can offer me, but it is still not enough.

My attempt to get a college education has involved great financial hardships. As a first-generation college student, I am one of the lucky ones who are still in the system. But I know that the complexities of the application and delivery system, and inadequate funding for grants which forces low and middle-income students to take out huge loans discourage many students of color into foregoing college.

We recommend that Congress increase the maximum Pell grant so it will cover close to 50 percent of the cost of attendance as it did

in 1980, rather than the 25 percent it covers today. This would help alleviate the huge loan burden students must bear.

Students also need more information and counseling about all of their options.

Last, I strongly urge Congress to take the steps necessary to affirm the legality and necessity of minority scholarships. Without my minority scholarship, I would have had to take out thousands of dollars more in loans.

With the decline in college participation of students of color, and the need to educate every man, woman and child to keep America competitive, these scholarships are even more important in opening the doors of higher education.

Thank you for this opportunity to testify today.

Senator MIKULSKI. Thank you, Ms. Fager. Could you tell me what year you are in and your major?

Ms. FAGER. I am an English major this semester, and I am a first semester junior. This semester I have been in school full-time the whole time; I take a lesser number of credits, just the maximum you need to be a full-time student. Since I work sometimes two to three jobs, I find my academic studies suffer, so I have to give up some things to have other things.

Senator MIKULSKI. But with the students doing stretchout like you and Ms. Lennhoff and others that you represent, really to ask "What year are you in?" is an outmoded question; am I right?

Ms. FAGER. Right.

Senator MIKULSKI. The very way I am approaching this, it is a dated question because it is not what year you are in; it is how many credits you have accrued to graduation.

Senator MIKULSKI. Now let's turn to Ms. Aurelio for her testimony. I understand you are representing the students of our host school, Catonsville Community College, and you are also the mother of a teenage son who himself is now getting ready for college. So you represent that older independent person, which would include, say, myself, my sisters and my brothers-in-law.

Ms. POST-AURELIO. That's correct, Senator.

I'd like to thank you for coming to hear us, and I'd like to thank Catonsville for allowing me to speak for them.

My name is Margaret Post-Aurelio, and I am a third-semester student at Catonsville Community College. I have a dual major of general studies and interpreting for the deaf. I am on the dean's list with a grade point average of 3.69.

I will be 49 in June. I am a single parent, head of household. My son is 25 years old and is completing his sophomore year in a local public high school.

I grew up in the 1950's in a dysfunctional and abusive home. Because of the abuse, I ran away from home repeatedly. I was termed a delinquent child by the system. I was incarcerated in Spring Grove State Hospital at the age of 14. I spent my adolescence on a back ward, receiving no formal education. I ran away from the hospital when I was 17 years old.

I was in the world with no skills and no self-esteem. I was capable only of finding minimum wage jobs. I was unable to survive economically. Frequently, I was unable to pay my rent and would be evicted from the shabby apartments that were my only option.

Once, I had to move all my personal belongings in a grocery cart; I could not afford a car.

I became a parent, and I didn't want my son to repeat the same patterns or to have the kind of life that I did—survival on the fringes. As a single parent, my financial situation worsened; the budget that would not support me had to be stretched to support two. I was under severe emotional stress, and I was so busy trying to survive that I was of little help to my son. His school progress was poor.

Seeking financial stability, I tried a marriage, and I tried a business. I worked hard at both, but both failed. I began to see that education was the only solution to my problems, economic as well as emotional.

I contacted Catonsville Community College and was referred to Project Second Start, a program for displaced homemakers and single parents. I was accepted as a full-time student.

Once accepted into college, my next hurdle was finding a way to afford school. I talked to the financial aid office and applied for Federal financial aid. The form was intimidating, especially for a person who had not been in school since the ninth grade. Once I was enrolled in classes, one of my first English papers talked about the classes themselves being easier than filling out the financial aid forms. I got an A on the paper, but I flunked the financial aid form. [Laughter.]

I received financial aid in the form of a Pell grant, Maryland State Scholarship, and college work-study. The grant, scholarship and work-study were not enough for us to survive. It was necessary to take out Stafford loans.

Attending college and being on the dean's list allowed me for the first time to view myself as a viable human being who deserves a rightful place in our society. The ability to role model this sense of self for my son has helped him view himself more positively. His grades continue to improve. We study together. He helps me with my math.

I also receive tutoring support when necessary from Project Spark, which is one of the TRIO programs.

My son now has a part-time job and is able to contribute to the household. Even so, we are barely scraping by financially. There is no room for anything to go wrong—not car trouble, not medical problems, not a rent increase.

Two years from now, I will graduate from Catonsville with an associate in arts degree. At that time, my son will be entering college. While I really appreciate the accessibility of student loans, they are not the answer. After graduation, I will be lucky to find a job making $20,000 a year. I will then have the responsibility of paying these loans totalling $5,000. At the same time, I will be supporting my son and helping him get through college. The money he makes at his part-time job will still have to be used to defray household expenses. In fact, those expenses will increase because he will need transportation to and from college.

If more money were available for grants, the loan option could be avoided, especially for students whose ability to pay back is an extreme hardship. In addition perhaps a different set of criteria should be used when calculating the independent student's finan-

cial need and grant award. The current budget guidelines that are used to calculate family contribution and eligibility for financial aid falls $6,000 short of what I actually need just to get by.

Thank you for your interest in education and financial aid programs. I truly believe that education is the only solution to the problems that plague our society. My son and I have the opportunity now to turn around dysfunctional patterns that have been present for generations. With the opportunity for higher education, we can contribute to society rather than just survive. Without financial aid, none of this would have been possible for us.

Senator MIKULSKI. Thank you, Ms. Aurelio.

I would like to thank the panel for their testimony, which has been both informative and inspirational. I mean, you talk about folks who just have true grit. It is obvious that the four of you have really demonstrated that, and that's what you need to demonstrate just to get through the process, and we're just talking about the process before you even get into the classroom, without even talking about what you then must do to be able to study philosophy or psychology or a core curriculum in liberal arts or a very specific degree in helping others who have obstacles in their lives. So it was indeed very inspirational.

I want to move to some questions, and to the people here from the Medix School—which we are very familiar with some of the graduates—if you'd like to pull some chairs up to the table, you will be most welcome to participate in the questions and answers, and also if you have any testimony you'd like to submit, again that would also be quite welcome.

Ms. Ajagunna, you had a series of recommendations which also represent the thinking of the United States Student Association; am I correct?

Ms. AJAGUNNA. Yes.

Senator MIKULSKI. Would you like to review the recommendations for us?

Ms. AJAGUNNA. They address all the points of financial aid; it is extensive bill language.

Senator MIKULSKI. So you've actually got things that are almost combat-ready.

Ms. AJAGUNNA. Exactly, yes.

Senator MIKULSKI. And this young lady who keeps bustling back and forth—she gives me signals when she thinks I'm on the right track, etc. Who are you?

Ms. DONG. I am Selena Dong, the legislative director for the United States Student Association.

Senator MIKULSKI. OK.

Ms. AJAGUNNA. Selena is the woman behind all the official work that we do at USSA.

I can highlight the issues because a lot of people have already spoken on it.

Senator MIKULSKI. Well, if they are ready—you are saying it would be the user-friendly nature of the form; the timely nature of getting the loan disbursement, because that is a common theme that is—was indeed a penalty——

Ms. AJAGUNNA. Yes. And elimination of additional fees like the original FAF form fee that you have to pay; also, the proper loan-

grant balance, which almost everyone has spoken about today, increasing grants and decreasing loans because of the indebtedness that people get. Also, the elimination of penalties for working students, which people have also spoken about today.

Senator MIKULSKI. I want to come back to the penalties for working students. That is what I was trying to get at when we had the college administrators up there, that you really penalize those people who are out there working, and the more you work, the less you are eligible for, which means you need to make more, but you are eligible for less, and finally you are stuck with the debt, and you have to drop out just to meet that which you incur—so there you are. Am I correct in that?

Ms. AJAGUNNA. Yes. Even though I am a dependent student, one summer I made a little bit too much money, so they asked me to contribute more the next year. And it wasn't like I had so much more money.

Senator MIKULSKI. I understand.

Let me go to Ms. Lennhoff, I'm going to ask about what happened to you as kind of a case example for others. When you are denied something that you yourself feel that you are eligible for and have documentation to back up your eligibility, is there an appeals process? In other words, are there other opportunities so that a single person who for whatever reason, either their own poor training or the demands of 40,000 students each coming in each in varying degrees of hysteria might not—do you have another place to go, because for one person to have to make such a destiny determination can be scary.

Ms. LENNHOFF. Yes, there is an appeals process in the residency petitioning process. But I went through all the channels. It went as far as it could go, and I even had an attorney write me a letter. But what happened in my situation was that on paper I met all the criteria for financial independence. There are two issues in residency status—proving that you have lived in Maryland for a certain period of time—that was no problem—proving financial independence is where the hardship comes in.

Senator MIKULSKI. Which goes to Ms. Fager's point and Ms. Aurelio's point. Financial independence doesn't necessarily mean financial self-sufficiency.

Ms. LENNHOFF. And what is ironic is that the financial independence aspect of the residency petition, to prove financial independence for purposes of residency actually seems more lenient than for the financial aid forms and all that. And yet even though I was able to prove what was on paper, my residency officer said, "Claudia, we don't go just by what is on paper." That's what she told me. And then there is the whole issue of then how do I know what else I have to do to prove it to you.

I followed it through the appeals process four times, all the way through. I now know students who have sued the university and were able to get residency status. I'm not sure—I think that that whole process is another issue.

Senator MIKULSKI. But there is an appeals process for residency.

Ms. LENNHOFF. There is an appeals process.

Senator MIKULSKI. Is there an appeals process generally, say, for financial independence? Ms. Fager, you said you felt that you met

the financial independence test, which really would have been a significant boost to you, and then only not to meet it. Were the criteria clear? No. 2, the criteria seem ridiculous. And No. 3, could you also take it to another level for review?

Ms. FAGER. I worked in the financial aid office. Sometimes I don't even think some of the people who work there actually—not that they weren't competent, but people just didn't understand that it is not the award year, but it is the year you first started receiving money. I am very friendly with the people who work there, and I have had some people tell me that, well, you might as well just stay out of State, and you'll get more money if you stay dependent, and there is no use in fighting it. I don't qualify for any of those rules that make me independent. What can I do?

Senator MIKULSKI. OK. Before I probe a little bit more into the penalties for work, which I know you have all experienced so directly and personally, would the people from The Medix School take the time to introduce themselves, and if there are questions or comments they'd like to add, feel free.

Ms. YOWELL. My name is Patricia Yowell, and I do have a letter that I would like to read to you if time permits. All the students in the school were made aware of the meeting, and all of us were asked to write letters, of which you will get an envelope full, and several of us were asked to come and, if time permits, read our letters to you.

Senator MIKULSKI. Good. How about if we go through the letters, and then I'll get to questions. And we'll be very happy to welcome any other correspondence or things that you'd like to include. You can see how we have focused today on the degree-granting institutions, although we know of the fine contributions of proprietary schools, and we'll be having other meetings.

Go ahead.

Ms. YOWELL. I would like to take the opportunity on top of Medix School to thank you for this opportunity to speak and to let people know that private career schools are very important to our higher education system.

My letter begins:

I have had an interest in the medical field for over 20 years, but I was never financially able to do anything to further that interest. One day I received a phone call from the Medix School. They explained to me what the school was about, and I set up an appointment for an interview. I was given two such interviews, at which time I was also tested. Even at this point, I still did not know how I was going to financially afford the school. At my second interview I was told that I qualified for financial aid loans from the government. It was then that I knew that I had a chance to fulfill a lifelong dream of a medical field career.

During my studies at Medix School, I have acquired skills in human relations, bookkeeping, insurance processing, letter writing and composition, reception, telephone technique, vital signs, injection, pharmacology, EKG, microbiology, urinalysis, phlebotomy, minor surgery, typing, transcription, and I am now certified to perform CPR. This, of course, does not include all that I will be learning in the rest of the course.

I have been offered jobs already even though I am not a graduate from the course, only on the knowledge that I soon would be.

If you look in the newspapers at any given time, you will see that doctors and dentists advertise specifically for Medix School graduates.

Without financial aid for private career school students, there are thousands of people who will go through life in minimum wage-paying jobs, on welfare or unemployment. With this aid to these students, there is available to all of us a wealth of opportunities not only for self-improvement but also to become self-supporting tax-

payers with a chance to improve our communities—and I say improve our communities because then we can offer competent, well-qualified services.

I cannot comment on all private career schools, but I do know that Medix School does not take its responsibility as a teaching institution lightly, nor does it allow its students to take their responsibilities lightly. These schools are a wonderful avenue for one to get their foot in the door in whatever area of interest they may have. And after finishing a course in one of these programs, a person can then decide to either further their education in that field or decide that they are happy with the amount of training, or that perhaps they are in the wrong field completely.

It affords people the opportunity to become whatever they want to be without the long-term commitment.

Ms. YOWELL. And I'd like to take a chance to expound on that and say that I am 40 years old. At 40 years old, I am starting out doing something that you usually start out doing when you are 18, 19, 20, or 21 years old. If I were to expand my education for 6 years, I would be 46. Do you know what the job market is for a 46-year-old lady?

Senator MIKULSKI. I'm 54; I know a little bit about it. [Laughter.]

Ms. YOWELL. As hard as it is at 20, it doubles at 40.

Senator MIKULSKI. Sure. Could I ask you what your field is, your area of interest?

Ms. YOWELL. I am working toward my certification as a medical assistant.

Senator MIKULSKI. I see.

Ms. YOWELL. Which is much different than a nursing assistant, and different than a nurse; we work directly with the doctor.

Senator MIKULSKI. I understand. I think we have a good picture of your situation, and we'll take all the letters and read them, but in the interest of moving along, because they are going to need this room for some other things——

Ms. YOWELL. There is one paragraph I would like to read.

Senator MIKULSKI. Oh, sure, go ahead.

Ms. YOWELL. I cannot stress enough how important these types of career schools are. Not only do I support private career schools in the Higher Education Reauthorization Act, but I think they should be a prerequisite for longer studies. The students would be dedicated to their studies because then they would have a first-hand working knowledge of their career choice field.

Senator MIKULSKI. Very good. Thank you.

Ms. SCURTO. Senator Mikulski. thank you very much for giving us the time. I will not read my whole letter because Pat had a storybook here.

Senator MIKULSKI. We are interested in the stories. It is these stories that are just—you know, we have heard from everyone in terms of the statistics and the administrative structures, but I want to be sure that when I work on legislation, I don't want to work off of memos and briefing books—and you are not numbers and statistics to me; you are people—and I want to make sure that I know your stories, that I know about your lives, so that we can then advocate it from that perspective. So you go right ahead and tell your story.

Ms. SCURTO. I did go to Towson State University to apply there right before I did the Medix School, and I found out that I was back and forth to the financial aid office. They gave me a lengthy form that must have had 50 pages; I couldn't understand it, and no

one was available to help me. So I decided to join the Medix School due to the fact that I became tired of penny-anty jobs because of no experience or training.

Since I joined the Medix School as a medical assistant, they are giving me the training I need to become an individual, to be able to work and serve the community as a health care provider.

When I found out the cost of the tuition for the school, I knew I could not afford it. But then Mr. John Gellers, the financial aid counselor, told me about Pell grant, student loans, etc. Finally, I applied and was accepted.

When that day came, I knew I was on the road to an education that would get me a decent paying job. Since I have been in the school, I am learning so many skills such as pharmacology, urinalysis, microbiology, etc., as Pat mentioned. These skills are definitely going to get me a very good-paying job.

Raising children on my own and being a single parent is hard, and I love it, but trying to find a job without any skills is the hardest thing I have ever had to do. But now with these skills I should not have any problem, and my economic status should change.

I support the private career schools and Higher Education Reauthorization Act due to the fact that some can go to school for years, but I just couldn't. So give us Americans the right to choose what is best for us, and not what is best for the State, or because it is just not the right thing to do at this moment. Help those who are helping themselves, and we shall have a better place to live.

Senator MIKULSKI. Could we have those letters for the record?

Ms. GOLDSTEIN. Yes. Excuse me, Senator. I am the director of education at Medix. May I submit these letters? These are not just from Medix; they are from Annapolis to Aberdeen.

Senator MIKULSKI. Are you part of the faculty?

Ms. GOLDSTEIN. I am the director of education for Medix, yes.

Senator MIKULSKI. Very pleased to meet you, and I hope you understand during this hearing that we weren't precluding you, but we were working within parameters, and we want to have a special conversation with the proprietary schools.

Ms. GOLDSTEIN. Thank you. Those represent not just Medix, but all of the proprietary schools in the State of Maryland. That is not just from us.

Senator MIKULSKI. Terrific. Thank you very much.

Ms. GOLDSTEIN. My pleasure. Thank you.

[Letters from proprietary school students follow:]

LETTERS FROM STUDENTS

Silver Spring, MD

The Hon. BARBARA MIKULSKI,
U.S. Senate, Washington, DC.

DEAR SENATOR MIKULSKI, I enrolled at TESST Institute in Jan. 1991 in order to qualify for more recession proof employment. I was in the house construction field. In only one semester I have learned a great deal. I have no doubt the program here is very effective for students who apply themselves—which most do.

Almost everyone in my class has a job outside of school. Anyone willing to work at night and go to school all day is serious.

I am fortunate enough to pay my own tuition, but 90 percent of my fellow students are not. To take away grants for this type of education would eliminate most all of these students from what may be their only chance at a good job.

This would be a mistake we would all pay for.
Sincerely,

DAVID W. ZASTROW,

Columbia, MD

The Hon. BARBARA MIKULSKI,
U.S. Senate, Washington, DC.

DEAR SENATOR MIKULSKI: After 10 years in construction and home improvements, and watching any income going up and down with either the season or the economy, I had enough, so I asked around and investigated first which profession would be long-term (meaning a good future) and a steady income. Second a school with a good solid reputation for teaching someone like myself a profession, in order to change my life around. TESST electronics is the school I chose after visiting twice and talking with a friend who went there and is now working in telecommunications. Without the financial aid I have no chance of being able to attend this school and therefore not being able to at least try and change my life for the better. The electronic knowledge I am learning is incredible, something I always wanted to learn and now have the chance, please understand that a career school is my only realistic attempt to change my profession and I need the financial help now.
Thank you,

MICHAEL A. NICODEMUS

Lineboro, MD.

The Hon. BARBARA MIKULSKI,
U.S. Senate, Washington, DC.

DEAR SENATOR MIKULSKI: When I graduated from high school I was always wanting to go back to school and further my education, but I could not afford to go to a 2-4 year college. Plus I was more interested in a field of study, not English, math, etc. Medix gave me the opportunity to start studying with my career. If it was not for the financial aid program, this dream of going back to school would of never been possible. It is very important to me to get a good paying job because I have a family to help support.

Since I have attended Medix, I have learned more then I ever thought I would. Blood pressure, muscle skeleton system, injections, skeleton system and even more before I graduate.

Doctors in the world today are looking for trained medical assistant with hands on experience and that is what Medix has taught me. It will enable me to be comfortable working on people when I start to work. Medix also has jobs available after graduation.

I really love the private training school I am attending. Without the financial aid program I would not be in school today. Please keep the financial aid program for people like me who can not afford 2-4 year colleges tuition. I really love what I am doing and learning now and proud to say that I have a 3.4 grade average now.
Sincerely,

MARY ROBERTSON

Laurel MD, April 8, 1991

The Hon. BARBARA MIKULSKI,
U.S. Senate, Washington, DC.

DEAR SENATOR MIKULSKI: After raising children and spending several years on the State welfare roles; I decided that I needed to find a more productive place in life. The first step to becoming independent is to gain the skills necessary to become employable. I am now a student at a career oriented facility named TESST Computer and Electronics Institute. I arrived at this school with minimal viable work related skills; I will leave here in a week, with all the basic skills needed to obtain employment in the clerical field.

I have learned WordPerfect, which I am using to write this letter. I have learned dBase and Lotus 123; both of which are in great demand in the workplace.

Having already been offered several positions in the Washington, DC area I am confident about my newfound ability to become a productive member of my community.

I feel that private career schools be considered as a vital piece of the Higher Education Reauthorization Act. The need to acquire a fast, though thorough, education in a defined field is very necessary to those of us who are already tied to the definitive responsibilities of child rearing.

I thank you very much for taking the time to read this letter and for your regard for our needs on this issue.

Yours sincerely,

MARY MCCRIMMON

Ashton, MD, April 9, 1991

The Hon. BARBARA MIKULSKI,
U.S. Senate, Washington, DC.

DEAR SENATOR MIKULSKI: This letter is being typed on the Commodore personal computer assigned to me as a student at the TESST Electronics and Computer Institute. This would have been impossible for me only 6 months ago. I am one of the growing number of older women, mostly mothers and homemakers, who are re-entering the job market, either out of choice or necessity. Without the financial aid arranged for me by this school it would have been absolutely impossible for me to become a student.

Before coming to TESST my skills were hopelessly outdated and inadequate. I had basic typing skills but knew nothing about computers. My training has changed that in a very positive way. This school has taught me how to run the most popular business software programs on the market today. They have given me a good working knowledge of how computers work, and an insight into what the possibilities are for a rewarding future as a working woman. I am both excited about what I have learned and motivated to continue my education further after graduation from TESST.

The skills I have learned have prepared me for a challenging job in either government or private industry. My future is a lot brighter than it would have been without this training.

I urge you to actively lobby for and support the inclusion of private career schools in the Higher Education Reauthorization Act. Without the financial aid they now supply thousands of bright, capable women who are actively seeking to re-enter the job market will simply fall through the cracks. That would be a terrible waste of a valuable resource.

We need your help.

Sincerely,

DIAN SCOTT BENDIT

Washington, DC, April 8, 1991

The Hon. BARBARA MIKULSKI,
U.S. Senate, Washington, DC.

DEAR SENATOR MIKULSKI. I attended UDC in January 1981—May 1984 majoring in Computer Science Technology. I did not complete my studies at that time; however, I still had interest in the course. Because of the time lapse, I did not want to return to a University. I checked out a few vocational schools, and finally made my selection to attend TESST Computer Institute. The importance of financial aid was very vital to me. I have a family to support; therefore I could not afford the full cost of the school. With the help of a grant and student loan I was able to attend and complete my studies. My daughter is now 6 years old. When the time comes for her to attend college, I'm sure the cost will be astronomical. With that in mind I know it will put a great crunch in my pocket. With whatever she decides to do, I hope financial aid is available to help achieve her goals and dreams, whether its at a university, college or private school such as TESST Computer Institute.

The skills that I have learned at TESST Computer Institute consist of Dbase, Lotus 123, WordPerfect, Desktop Publishing. I have increased my typing speed from 33 wpm to 50–55 wpm accurately.

With the new skills I have learned, I can say that I feel very comfortable about going into the job market and taking the skills I have learned with me. With the skills I have learned I feel I could be an asset to any business.

By attending a private career school such as TESST, it could become more beneficial to the student. I say this because everyone is different with his/her studies. When attending a University or College you have so many other courses that are needed upon graduation that really don't reflect the major selected. Whereas, with a private school you take just the courses needed for the career you have selected.

Yours sincerely,

ANGELA G. BROOKS

Riverdale, MD, April 10, 1991.

The Hon. BARBARA MIKULSKI,
U.S. Senate, Washington, DC.

DEAR SENATOR MIKULSKI: I enrolled at TESST Electronic and Computer Institute because I wanted to start a new career and having an electronic background I decided that an electronic course would enable me to enter the job market. Financial aid assisted me in paying for the tuition I received.

I have learned to repair and trouble shoot electronic devices that modern society consider a necessity of life existence.

With these new skill I am now in a better position to get into the job market and at the same time improve my economic status.

I strongly support for including private career schools in the Higher Education Reauthorization Act without which many individuals would not be able to continue their education and be independent citizens for the rest of their lives.

Thanking you for your consideration.

Sincerely,

LINTON WILSON

Adelphi, MD, April 8, 1991.

The Hon. BARBARA MIKULSKI,
U.S. Senate, Washington, DC.

DEAR SENATOR MIKULSKI: One day I started looking in the newspaper for a day job, dealing with some type of secretarial/clerical duties, and found out that the qualifications were nothing that I was familiar to. I repeatedly saw WordPerfect, Lotus 1-2-3, and Database and decided I should find out what it was. I felt very behind in time and decided to go to school and update myself to 1991. I am currently a hairdresser so, computers never entered my mind. I was very thankful that the school could offer financial aid. The fact that I finally have a chance at a steady money career and advancement changed my life. When I walk into an interview now, I feel like I have a chance.

In this six month course, I have learned about the following subjects:

—Information on the computer world in general
—IBM compatible Hardware
—Database III, Lotus 1-2-3, Desktop Publishing,
—Wordperfect 5.1
—Typing 55–60 wpm

These skills have increased the job market for me and put me in a higher salary range demand. With these options my financial status has improved immensely. All this is due to the financial help the government has reserved for educational purposes.

In conclusion, I would like to say that financial aid opens doors to those of us who cannot afford education. The career schools in higher education allows you to get an education quicker. This allows a mature group of people that already have established family situations to better themselves faster. The majority of people over 25, cannot afford to give up 4 years or more of their lives for a higher education. It is beneficial in the long-run, for the people and the government to work together to support each other financially.

Sincerely,

CINDY LEE GANIM

42-924 0 - 91 - 25

Frederick, MD, April 10, 1991.

The Hon. BARBARA MIKULSKI,
U.S. Senate, Washington, DC.

DEAR SENATOR MIKULSKI: I was disabled working as an electrician from a fall several years ago and have not been able to work or support my family. I cannot go back to being an electrician and chose to retrain and become a Computer Electronics Technician at TESST. I chose TESST because of their reputation, location, training and placement program. Although my tuition is paid for because of workers compensation, I would not be able to attend school without the benefit of financial aid. Financial aid is very important today when people are trying to become better educated and compete in the job market.

I am in my first semester of the one year program and have not only learned mathematical skills but skills like problem-solving, self-discipline and anticipation that will benefit me throughout my career.

The job market today is very competitive because of more highly skilled and educated workers (the economy today demands well trained individuals for better jobs). Graduating from this program will enable me to obtain a job as a Computer Electronics Technician, in turn, be able to support my family.

I strongly support the need for private career schools to be included in the Higher Education Reauthorization Act.

Thank you.

Sincerely,

GARY F. STREETON

April 8, 1991

The Hon. BARBARA MIKULSKI,
U.S. Senate, Washington, DC.

DEAR SENATOR MIKULSKI: Being a young adult and needing to get a decent job in a minimum amount of time, I decided that I had to go to school. I found out about Fleet Business School through an advertisement in the newspaper so I made an appointment to visit the school. I talked to one of the representatives and chose to pursue their Evening Microcomputer Program as I want to make a career using computers. Upon visiting their Financial Aid Department I found I qualified for a Parent/Student Loan. Having this help with financial aid I found it possible to be able to attend Fleet Business School.

While in this program, I am taking English, writing, punctuation, typing, accounting, Word Processing, MS/PC-DOS, Computerized Accounting, Spreadsheet Applications, and Database Applications.

When graduation comes I feel that I have the ability and experience to perform a challenging career using all of these useful skills.

I really feel that you should increase your support to students at schools like Fleet Business School. I want to be able to get a challenging, respectable job soon with a living wage and the ability for advancement. So please consider this fact because if it wasn't for the financial aid I wouldn't have been able to attend school. Thank you very much.

Sincerely,

DEANNA M. BUCZKOWSKI

April 5, 1991.

The Hon. BARBARA MIKULSKI,
U.S. Senate, Washington, DC.

DEAR SENATOR MIKULSKI: Being a mother with a small child and needing to get a decent job in a minimum amount of time, I explored the job market and found that I did not have the skills to compete. I heard of Fleet Business School through a friend for the first time in 1982. As I was interested in current job skills, I made an appointment to visit the school. I talked to their representative and chose to pursue their Secretarial Program as I wanted to make a career of being an administrative secretary. Upon visiting their Financial Aid Department I found I qualified for a Student Loan. Packaging this aid, I was able to enroll in their Secretarial Program in 1982.

While in this program, I completed English, writing, punctuation, typing, accounting, Word Processing, and many more essential skills needed to perform as a qualified professional in the working fields.

Upon graduation, I felt that I had the ability and skills to compete with anyone for an entry level position as a qualified and up-to-date secretary. In fact, I felt that I was able to compete with many who had much more experience.

Currently, I am once again attending Fleet Business School. This time taking the Micro Computer Program. I returned to Fleet because of the impressive standards, reputation, and positive attitude it has in the business world.

It is my feeling that you should increase your support to the students at schools like Fleet where you are able to get the equivalent of a 2 year community college program in one year. Many of us want to get a good respectable job quickly with a living wage and the ability for advancement. I did not have the money to do this on my own and would not have been able to pursue the training without your help. Thank you very much.

Sincerely,

MARY KATHRYN VITO

Baltimore, MD, April 9, 1991.

The Hon. BARBARA MIKULSKI,
U.S. Senate, Washington, DC.

DEAR SENATOR MIKULSKI: I am currently enrolled at R.E.T.S. Technical Training School in the Drafting/C.A.D.D. Program. A major factor in continuing and completing my education in this field was the grant and financial aid made available to me.

I am gaining a wide variety of skills in the Drafting Department including an in depth knowledge of Computer Assisted Drafting and Design, (C.A.D.D.).

As a result of my training I will be able to secure a position in this high tech field and support myself and my children on my own.

I fully support including private career schools in the Higher Education Reauthorization Act.

Sincerely,

CHERYL L. PARROTT

Baltimore, MD, April 9, 1991.

The Hon. BARBARA MIKULSKI,
U.S. Senate, Washington, DC.

DEAR SENATOR MIKULSKI: I am presently enrolled at RETS Electronic School. Due to a back injury, I was told by my surgeon I should make an immediate career change. I heard about RETS through different friends and decided to enroll. Due to my financial status, it would have been absolutely impossible for me to attend RETS without the help of financial aid.

I am taking a course in Heating, Air Conditioning and Refrigeration and will be graduating on May 3, 1991.

After just 2 months in school, I was able to start doing side jobs for friends and relatives. This was a big help in adding to my income. I have really learned a lot here at RETS and I feel assured that my future in my new trade, will be very successful. RETS is one of the best moves I have ever made and I will always be grateful to the instructors and staff of RETS.

I am fully supportive for including private career schools, like RETS, in the Higher Education Reauthorization Act.

Sincerely,

RICHARD S. ROSEMAN

Senator MIKULSKI. Did you want to comment?

Ms. WAUGH. Yes, Senator.

I would just like to thank you for listening to us and say that Medix has helped me so much. About 2 years ago, I had planned to get married and raise a family, and I got into a jam and got preg-

nant a little too early. Things didn't work out between the father and me, and I had to go on welfare because the place where I worked didn't offer me any insurance.

I was very sick throughout my pregnancy. Up until 8 months, I was basically bedridden. And after I had the baby, I found out that I couldn't rely on his income when we got back together, so I had to do this on my own because someday that money might not be there. And with me being on welfare and so on, it just made sense to do this on my own.

And if I had waited for Project Independence, I would never be here.

Senator MIKULSKI. Could I ask you a question—and I know about Project Independence. It is a whole program to move people off of public assistance. Would Project Independence have you go to a school like Medix, with its long track record of achievement?

Ms. WAUGH. Well, when I went in for an interview, she asked me if I was interested in Project Independence, and I told her that no, I had gone out on my own and found something that I wanted to do. And she was very nasty, and she said, "Are you sure?"

Ms. SCURTO. Excuse me. I know something about Project Independence. I went down and applied for it because I was also on welfare at the time and because my two children didn't have any medical insurance, and I needed the medical assistance card. When I applied, they made me work 40 hours a week downtown, with no pay, for 3 months because they could not place me because the training programs are so overcrowded. I couldn't afford it. I couldn't take the bus, and I couldn't afford a babysitter. They were wiling to pay a sitter—I would have to take both of my kids clear across town and move them out of the school they are in just to get them to the sitter.

Senator MIKULSKI. I got it.

Ms. YOWELL. Let me tell you something else about Project Independence——

Senator MIKULSKI. OK, but this is not a hearing on Project Independence. I've got to get back to higher education——

Ms. YOWELL. This is where it all ties together, though.

Senator MIKULSKI. OK.

Ms. YOWELL. Project Independence I know about because my daughter-in-law was on Project Independence because of my grandson and her age and so on. As a matter of fact, my daughter-in-law graduates from Medix, the same school I attend, next week. She was on Project Independence, and this is what they did for her; this was their idea of an education. They sent her to a hospital in Ann Arundel County where she lived. They sent her there for 3 weeks, and actually what she came out of that knowing was how to be a nurse's assistant's assistant. There was no real education.

Senator MIKULSKI. Not the way you're talking about what you had.

Ms. YOWELL. No, not something she can financially bank on to better herself and her son's life.

Senator MIKULSKI. I understand.

Let me ask you about the student assistance part of all this. Each of you on this panel is in a different age group, and each one of your stories is as unique as your personality and the gifts you

have to offer. My question is if we had to change three things to improve the program and make it really effective, what would your recommendations be—because obviously, access to higher education you see as the determination of your destiny, the need to have access to higher education regardless of the nature of it. And that is what is so great about our society—we don't have cookie-cutter higher education.

What would it be? I'll start with you, Ms. Yowell, and go on down the line. How would you improve the program?

Ms. YOWELL. First of all, I agree with a lot of what the panel before us spoke about and the fact that the Pell grants should be updated and should be extended.

Second, I would not cut financial aid because of years involved. Don't make it for anyone over a 2-year course. There are those of us, myself included, who don't have that much time to invest, unfortunately.

The third thing is I would make the actual government loans to the students more individualized, not a blanket situation that you either do or don't fit into a category, because there are a lot of us who are in our own categories, and we still need and deserve and have the right to a higher education.

Senator MIKULSKI. Very good. What is your name, again?

Ms. SCURTO. Sharon Scurto.

I'd change the financial papers that you have to fill out.

Senator MIKULSKI. All the paperwork.

Ms. SCURTO. All of it. Change it; make it simple, and have someone available—not a hot-line—but have someone available who is going to be able to sit with you and say, "Sharon, this is what you need to do."

No. 2, do not write a set of rules and say okay, you fall into this, and you fall into this. Let each person be accepted according to what their background is.

And third, I would never, ever say that because you own a house or you have too much equity in your house, you can't get a loan. I want that changed—I would like to have it changed.

But the package is terrible. Trying to fill that out, I got so discouraged I said I wasn't even going to college, and I pushed the package away.

Senator MIKULSKI. Yes, I saw you nodding your head when I said people were on Rolaids and doing Mylanta shooters.

Ms. SCURTO. Yes—4 hours.

Senator MIKULSKI. Well, I've heard about people taking 4 weeks.

Ms. SCURTO. In 4 hours I filled out one page—I wasn't even completely done—I pushed it away and said I give up. And nobody was there to help me with it. They were all pushing me around to different offices, back and forth, back and forth.

Senator MIKULSKI. That's also what Dr. Aery said, that even if you have advisers and workshops, if the form is essentially user-complex and confusing and repetitive and so on, all the workshops in the world don't make a bad form a good form.

Ms. Aurelio.

Ms. POST-AURELIO. Thank God and Catonsville Community College for our financial aid department. Jerry Lovick and Margaret Buller got me through it—they took pity on me and helped me. So

yes, I hate to go back to them each time to do it, but they are there to help. I could not have done it on my own. So updating that form is really important.

Looking more closely at the diversity of the backgrounds of independent students. We're not all the same. We have different needs.

Also, making more grant money available rather than——

Senator MIKULSKI. More money. The best form in the world won't be as good as money.

Ms. POST-AURELIO. Yes. I mean, I will pay my loans back, and God knows I am grateful for getting them.

Senator MIKULSKI. Ms. Aurelio, also, you were the beneficiary of some extra help like the tutorial that enabled you to——

Ms. POST-AURELIO. Well, those are services here at the college.

Senator MIKULSKI. But we need to be cognizant of those areas.

Ms. POST-AURELIO. Oh, yes. Now, last year I did not qualify for a loan because I had not achieved second-year status. The reason I hadn't achieved second-year status was because I had to take the math modules. So that screened me out for a loan; I was not able to get the loan, the Stafford loan.

Senator MIKULSKI. That's a very good point.

Ms. Fager.

Ms. FAGER. Yes. Definitely simplification of the application. There are some things in the application which I don't agree with. My father passed away, and my mother was a widow. Then she got remarried, and now I'm 21 years old and my mother just got married, and now I have this man who doesn't owe me a thing in the world who has to be part of my application. He owes me nothing. My father passed away. I don't think that is fair, and that should be changed.

Senator MIKULSKI. That's an excellent point particularly in today's era of the new family, the blended family.

Ms. FAGER. Right. There definitely has to be a restructuring of the independent student. I know there are people who actually cheat, as Dr. Glee was talking about, affluent families who know how to get by the system. I wasn't one of those people.

Senator MIKULSKI. But you shouldn't have to try to figure out how to get around it. You should be helped to go through it, and by the time you go through it, there should then be the resources so you can continue your education.

Ms. FAGER. Right.

Senator MIKULSKI. It's an education trying to get an education; isn't that it?

Ms. FAGER. Right. And the third thing is the college work-study/college work shift. There is a difference, and I didn't know the difference when I first went to college. I was offered a work shift, which means something like she was talking about—you work, but you never get paid, you never see money; you just kind of pay off your bill. They offer you a $3.25 an hour job, so even if you did work—and you can't work 40 hours on campus.

Senator MIKULSKI. I've got it.

Ms. FAGER. So they pay $3.25 in the work shift, and you never see the money, and by the end of the semester, I was still owing them money. So it didn't help me. Then they changed me to college work-study. That was a little better, but I was still only making

$4.25, $5.00 an hour, which was all right, but it didn't help. The Federal Government offered a program to financially needy people, and they didn't look at me and say, well, you're not independent because—I told them what I did, and that I had financial aid, and they have a program called the Stay-in-School Program, where they give you 20 hours a week, and they start you out at $8, so that helps a student. Not all people are qualified, but I did happen to qualify, so now I reject college work-study.

Senator MIKULSKI. So they need to improve that.

Ms. FAGER. Yes.

Ms. Lennhoff.

Ms. LENNHOFF. Well, I guess you would think that since I have a $20,000 debt and student loans that I would be well-educated in this process, but I'm not, and that is part of how I amassed such a debt. So I think one of the first things I would suggest is to increase information and dissemination of information on all of the financial aid programs and all the processes, and make them simpler. There is no reason why they have to be so complicated. That would be the first thing, I think.

The other thing would be definitely the delayed disbursement has to go—and I realize that sometimes that is something that comes from the bank, sometimes that is something that comes from the university itself, and sometimes it is part of a program to have 30-day delayed disbursement. It doesn't matter where it comes from; it affects students the same way. The financial aid office kept telling me 2 weeks, 2 weeks, wait 2 weeks, it will come in 2 weeks. Whether they knew or not where it was getting held up, I don't know, but that has to go, regardless of who is doing the delaying.

And I think one of the things that I would emphasize the most strongly is to increase funding for the work-study and make that tax-free; I don't think students should have to pay taxes on that. And also increase grants because there is no reason why students should have to amass these tremendous debts if we can in the meantime be contributing something to our school and to our own academic progress through a work-study program.

Senator MIKULSKI. Very good.

Ms. Ajagunna, I know you have the official position and language, but I'm sure you have your own personal three recommendations.

Ms. AJAGUNNA. Yes. Out of the 10 major recommendations that USSA has put forward, there are a couple that I'd really like to highlight—the special services, including the TRIO programs and expanding TRIO programs; and developing incentives for on-campus child care, bilingual remedial programs and other services for non-traditional students such as women in higher education, students of color in higher education, and other non-traditional students who face additional barriers because they are not the quote-unquote 18-to-24, no children students, students who are on welfare or get other kinds of aid, so that doesn't offset their financial aid. I have worked in the financial aid office, and it is not standard. In certain counties, certain States, certain assistance will offset your aid, and in other places, it doesn't.

And along the lines of doing things across-the-board, I would suggest a universal financial aid form because institutions have forms,

and then there are State forms, and then there is a Federal form. So if there were just one form and everything was the same, the basic questions, and forms without fees.

The other thing is grant entitlement and making them applicable to middle-income students as well because I think in 1978 or 1979, it did a lot for middle-income students, but it doesn't anymore, and if it did, I would even qualify for a Pell grant. So not just increasing the Pell grant, but increasing the eligibility for them.

One other thing is considering unsecured debt because you don't have liquid funds—but like you have home equity or this or that—that doesn't pay the bills. So considering unsecured debt in how much you can contribute to your education or how much your parents can contribute is very, very important.

Senator MIKULSKI. Yes, Ms. Waugh.

Ms. WAUGH. Besides what has already been said today, the only thing I'd really like to elaborate on besides increasing the grant is to reconsider having financial aid because we might not all be the same people, but we are all here for the same reason.

Senator MIKULSKI. Very well-said.

Well, that is a wonderful note to end on. I want to make sure we have the names of the three students from Medix, and I'm going to ask Ms. Calmeise to get those for the record so we can acknowledge your names in an official way as part of the record and as participating.

As we wrap up, I really would like to come around and shake your hands. I wish I were an employment agency; I'd hire all of you.

Let me thank all of you for this most informative hearing. I got a lot out of hearing this panel and the previous two panels; I hope you did, too. And know that the reauthorization is going to take a couple more months, and we're going to be having additional conversations.

And I'd like to thank Catonsville Community College and everybody who put a lot of work into getting ready for this, including my own staff. I'm just real happy about it.

So thank you very much, and I'd like to wish you all the very, very best.

[Additional statements submitted for the record follow:]

PREPARED STATEMENT OF MR. MOORE

Senator Mikulski and members of the committee, good morning. My name is Wayne Moore, and I am president of TESST Electronic and Computer Institute in Hyattsville.

First of all, let me express my thanks to you for holding this hearing on the reauthorization of the Higher Education Act here in Baltimore. Maryland is strongly committed to post-secondary education, and Senator Mikulski has certainly proven her commitment as well.

I appreciate having this opportunity to share my views on reauthorization. As Congress reconsiders the Higher Education Act, I would ask you to keep in mind the nearly 2 million students who are currently enrolled in the Nation's approximately 4,000 private career schools—students like those at TESST, who are enrolled in such programs as electronic engineering technology, computer technology and office computer skills.

Let me take a moment to tell you about our schools. In addition to the Hyattsville campus, we also have a campus in Alexandria, VA. There are about 600 students

enrolled in electronics programs and 150 enrolled in office computer skills programs, ranging from 6 months to 2 years in length. Eighty percent of our eligible graduates are placed in jobs in the fields in which they were trained.

The young people who want careers in fields such as these are often in greater need of financial assistance than those who choose to attend traditional colleges. These financial assistance programs will have a direct impact on whether millions of young people will be able to pursue their version of the American dream.

In addition to giving young people the opportunity to pursue the education they need to get ahead, the student financial assistance programs will also play a major role in determining whether America can meet the economic challenges of the future. We keep hearing these questions being asked by Congress, the business community and the media—"Can America remain competitive?" Or "How can America become competitive again?"

The answer is clear. To thrive in this tough economic climate, we need to ensure that we have an educated, skilled and productive workforce. The strength of our economy depends on the performance of college and non-college educated workers. The contributions of these workers will determine the Nation's economic fate.

According to a report issued last summer (by the Commission on the Skills of the American Workforce), 70 percent of the jobs in the year 2000 will require a college education, but most of them will require some form of post-secondary technical education.

In fact, the greatest job opportunities throughout the next 10 years are expected to be in the service and technical fields. TESST Electronics and Computer Institute and thousands of other private career schools across the United States provide career specific education for students who want to enter these professions. This is why it is so important to ensure that young people have access to the institution of their choice.

To help achieve these goals, I believe we ought to head in the direction outlined in the legislative proposal that two national organizations—the National Association of Trade and Technical Schools (NATTS) and the Association of Independent Colleges and Schools (AICS)—will soon unveil.

The proposal will provide access to post-secondary education opportunities for all students, including the poor and disadvantaged. It restores the proper balance between grants and loans so the very poorest do not leave school under a huge burden of debt. It improves the integrity of the aid programs. And it enhances the effectiveness of the programs through simplification and improved administration.

The plan recognizes that people should have access to the type of education that best meets their interests and abilities, whether at a 4-year college or a private career school.

In addition, the proposal asks for a number of reforms that will clarify the accountability of all players involved in the student aid programs and create ways to curb abuse. This will help restore everyone's confidence in these programs.

An efficient and productive economy depends on educators, scientists and doctors. But it also requires the people who build our homes, program our computers, assist our doctors, repair our cars and maintain our offices, schools and hospitals.

There are countless Americans who would not be where they were today if it had not been for loans, grants and other financial assistance provided through the Higher Education Act. Please make sure the door stays open for the next generation of students who want to have the same chance so many others have had. We owe them that chance.

Thank you very much.

Prepared Statement of Ms. Hubers

Madame Chairman, the community colleges of Maryland and particularly Baltimore County are honored and proud to welcome you and the Subcommittee to the Catonsville campus.

We think it is a very positive portent that the Senate is bringing its reauthorization hearings to a community college campus. I am Nancy Hubers, a member of the Board of the Baltimore County community college system and I am also a member of the Joint Commission on Federal Relations of the Association of Community College Trustees and the American Association of Community and Junior Colleges.

Since you once taught in our community college system, we know that we are preaching to the choir when we refer to the role that the community colleges are playing in sustaining the American Dream. We just wish that President Truman were alive to see what has emerged since his Commission on Higher Education in

1947 first proposed community colleges to put college opportunities within commuting distance of all the people. Our colleges across the land now serve more than six million learners in credit and degree programs, and perhaps another 4 million in non-credit courses. At least 80 percent of those students already hold jobs, so the importance of community colleges to the future of the American workforce can hardly be ignored.

The majority of Americans who now start college are served by community colleges. We think that it is unfortunate for the national interest that Federal policy in many areas has not yet embraced this reality. How does the National Science Foundation, for example, expect to keep our country in the forefront of science and applied research when it virtually ignores the talents, skill development and potential productivity of more than half the Americans who are starting college?

Of course, our purpose today is to address the Higher Education Act and its responsiveness to national challenges. The official Position Statement of ACCT and AACJC on the reauthorization, which became part of your Subcommittee record at last month's hearings in Washington, emphasizes the responsibilities that the higher education community must bear for building a world-class workforce. Our country will not achieve such a workforce unless Congress develops a national strategy for human resource development. The new Higher Education Act can become the cornerstone for such a strategy, if it accomplishes at least three things:

1. It must enlarge and strengthen the Pell Grant Program, and make it an entitlement. The maximum grant should be large enough to enable the neediest students to complete at least an Associate Degree without resorting to loans. The full grant should cover more than half the real cost per year of study—so that the struggling student doesn't have to hold three or four different part-time jobs to stay in college and complete an advanced skilled program. The Pell Grant Program is as vital to American competitiveness as any policy that Congress has yet enacted. It is a proven competitiveness policy. In our opinion, the country cannot achieve a globally competitive workforce by the year 2000 without a stronger Pell Grant Program. And if the so-called underclass in our society continues to grow, the Pell grant will become even more important to preserving the American Dream.

2. The new act should insist that the higher education community clean up its act on articulation. The dreams and talents of hundreds of thousands of students are being stifled by the arbitrary and often capricious transfer barriers that continue to confront community college students who seek to enroll at 4-year colleges. Comprehensive articulation should be one of the foremost objectives of the reauthorization. Without such articulation, the shortage of scientists, engineers, and teachers will continue to plague the economy and impede competitiveness.

3. The Act should also promote the expansion of college partnerships with employers. Such partnerships bring win-win outcomes for higher education and the country as well as for the worker and the employer. They give higher education broad access to the state-of-the-art technology and leading practitioners that the colleges often could not otherwise afford for their students.

Economists are saying that as many as 50 million working Americans will have to upgrade their job skills through periodic training before the turn of the century, in order to stem the erosion of American competitiveness. Neither the employer community or higher education can afford to fail at this challenge. If the above objectives are met through the reauthorization, higher education will be even more relevant to the Nation's future than it has been to its past. It is a tall order, Madame Chairman, and we are grateful for the vision and leadership that you and this committee are bringing to it. Thank you again for this opportunity to testify.

Senator MIKULSKI. The subcommittee stands adjourned, subject to the call of Senator Pell and Senator Kennedy.

[Whereupon, at 12:50 p.m., the subcommittee was adjourned.]

REAUTHORIZATION OF THE HIGHER EDUCATION ACT

FRIDAY, APRIL 26, 1991

U.S. SENATE,
SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES, OF THE
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:30 a.m., in room SD-562, Dirksen Senate Office Building, Senator Claiborne Pell (chairman of the subcommittee) presiding.

Present: Senators Pell, Simon, Kassebaum, and Cochran.

OPENING STATEMENT OF SENATOR PELL

Senator PELL. The Subcommittee on Education, Arts and Humanities will come to order.

We have long been concerned that the application for the Pell grant program is too complex. From time to time, I have asked my staff to send me the most current form so that I could see and try to fill it out myself. On more than one occasion I have had great difficulty understanding and completing that form.

This problem came to the fore at one of our reauthorization hearings earlier this year. Several of my colleagues, myself included, were astounded with the complexity of the current form. As a result, I thought it important that we hold a hearing solely on the issue of simplification. If we can't understand it, how can the poor students understand it, and how can it be made simpler to broaden the base of the applicants?

In the past we have taken action to simplify and lessen the cost of the application process. In the 1986 amendments we took several important steps: A short form for poor students, mandating development of a free Federal core form, and the enactment of the Congressional Methodology to bring the elements of need for the loan and campus-based programs into law.

Clearly, we must do more. The form remains too complex, too hard to comprehend, too difficult to fill out. The same is true for the short form. You hardly know where it stops and the longer one begins. Also, too few students file the free Federal form. Some students are steered away from that form because States need additional information for State aid programs.

So we are very concerned that a complicated application process may actually be a barrier to a post-secondary education. That should not be the case, and that is the reason for the hearing this morning.

Our first witness this morning is Dr. Brian Fitzgerald, staff director of the Advisory Committee on Student Financial Assistance.

I understand Dr. Fitzgerald will try to explain the complexity of the form by walking us through it—and as I understand, you believe you can do in 5 minutes, which astounds me—and doing it not only for my benefit, but in such a way that those of my colleagues who are not here, by following the testimony, will understand what the essence of this form is.

Dr. Fitzgerald.

STATEMENT OF BRIAN K. FITZGERALD, STAFF DIRECTOR, NATIONAL ADVISORY COMMITTEE ON STUDENT FINANCIAL ASSISTANCE, WASHINGTON, DC

Mr. FITZGERALD. Thank you, Mr. Chairman.

I appreciate the committee's focusing on simplification and the opportunity to appear before you today. At your request, I will provide a context for the testimony this morning by reviewing the form, including the use of the ASFA, the Application for Student Financial Assistance, and other forms; the content of these forms; and problems associated not just with forms themselves, but also broader implementation. I will be principally, Senator, dealing with the AFSA, the yellow form, in my comments this morning.

Mr. Chairman, the inescapable message of many presentations on the form is that complexity is the inevitable result of program complexity, and while we can fret about that, we can do little to achieve simplification without totally restructuring programs.

Let me say unequivocally that straightforward steps can be taken that reduce complexity, building on the important actions taken by the Congress in 1986 to simplify.

Complexity and burden of forms is often viewed solely as a function of how complicated or long the forms appear. Rather, complexity and burden for individual students may be more powerfully determined by how much of the form they must complete, how much unnecessary data they must supply, how often they have to complete the form, and whether and how often they must pay a fee.

A relatively long form may not be as daunting for many students if it is well-organized to allow them to exit early in the form, are asked a minimal number of questions, and do not have to complete it from scratch on an annual basis or pay fees annually. Nevertheless, a minimal amount of data is necessary for all students.

Turning to the form, as I said, I will focus on the AFSA since it serves as a model for a portion of all major application forms which in effect is in response to the Congressional mandate for a common form.

First let me say, Senator, about 6.9 million individuals complete these major forms; 26 percent complete the AFSA and do not pay fees; 12 percent complete other MDE forms and do not pay fees; the remaining 62 percent complete other of the MDE forms.

Now on to the first section. Section A is basically identifiers—name, Social Security Number, date of birth—and key eligibility information. If, for example, you turn your attention to question No. 7 in the bottom right-hand corner of section A, you will notice

a question about bachelor's degree. Obviously, a student who answers "Yes"——

Senator PELL. Question No. 7 is "Are you a U.S. citizen?" as I read this.

Mr. FITZGERALD. That is another eligibility question, Senator, yes. I'm sorry. Section A, No. 7, is an eligibility question for citizenship. Question 10, for example, is another eligibility question. Anyone who has obtained a bachelor's degree is not eligible for a Pell grant.

So these are key questions that determine whether a student is eligible, and if so for what programs.

The second section, "Student Status," Senator, may well be one of the most complicated sections that students face. This is the so-called "independence" question containing a misleading four questions.

Good morning, Senator Kassebaum. I am reviewing the AFSA at this point. We have just reviewed section A, which are pretty much the identifiers and the basic eligibility questions, like citizenship.

Section B is a fairly complicated section, trying to determine whether students are independent or dependent for purposes of awarding student aid. You will notice, Senators, that this consists of a fairly large number of questions. This is the result of a Department of Education interpretation of the statutory language. Many recommendations will shorten this, and I think you'll hear that a bit later.

Section C, if you'll turn the form over, is "Household Information." Basically we're looking for, in a sense, is the demographics of the household—number in household, marital status and number in college. It may help if you just tear the form right out of the packet.

Section D is where we start getting into financial information. Here, we are talking about income, earnings and benefits. And while there are a fair number of questions in this section, this section has actually gotten better because of actions taken by Congress in 1986. If we were looking at certain of these forms prior to 1986, we would have seen not only tax year income but estimated year income, so there would have been two sets of data. That has been eliminated.

If you turn the page again, Senators, you will see section E, where students list the colleges that they would like the data sent to, and the Department of Education will send data to up to three institutions and the State agency, the State scholarship agency.

You will notice at the bottom of what is the fourth page in the AFSA something that begins "Attention." That is the worksheet for the simple needs test. We need a worksheet because the statute requires student and parent income——

Senator PELL. Excuse me. You have lost me again. Where are you now?

Mr. FITZGERALD. OK, Senator.

Senator PELL. Is this "Worksheet Number 3B for the Simplified Needs Test?"

Mr. FITZGERALD. This bottom section, the yellow and gray worksheets that start with "Attention."

Senator PELL. Isn't that what all the first 4 or 5 pages is about?

Mr. FITZGERALD. Yes.

Senator PELL. Isn't this repetition?

Mr. FITZGERALD. No, Senator. The reason it is here is that as the statute was written in 1986, one criterion for the simplified needs test was that student and parent adjusted gross income be under $15,000, which requires the combination of those two.

I think you will hear some recommendations today that would eliminate that step and therefore eliminate this worksheet. This is what the Congress created in 1986, a simple needs test.

Senator, 2.5 million applicants qualify to stop here. Of this 2.5 million, however, 66 percent of the AFSA filers and 92 percent of students who use other MDE forms—these are eligible students—continue beyond this point, and many not only continue to the supplemental information on the AFSA, but if they are using MDE forms, they continue——

Senator PELL. Excuse me—what is MDE?

Mr. FITZGERALD. I'm sorry, Senator. MDE's are multiple data entry processors. Basically, the Department of Education contracts with need analysis servicers and others to put forms very much like this, tailored to particular constituencies, often containing additional information, in a sense on the street, and process those. Each form contains essentially an AFSA; a portion of that form is the AFSA, and the AFSA is processed by all of those processors at government expense. The government reimburses CSS, ACT, United Student Aid Funds to process a document that looks very much like this although may have some additional information. So this is in a sense the foundation of the major student aid application forms that are published today, Senator, and completed by nearly 7 million applicants.

Senator PELL. Thank you.

Mr. FITZGERALD. So we get to the end of the worksheet, and 2.5 million students can stop there because they are eligible, but the overwhelming percentage—as high as 92 percent for those who don't complete the AFSA—continue beyond this point. If they do, they enter a section of the form called "Supplemental Information" beginning with section F. Section F is expenses. If the family has unusual medical or dental expenses, or has elementary/secondary tuition that they pay for siblings, this will be included in the formula there.

Some of these data elements, Senator, have very, very low impact. One study I was involved with assessed the impact of medical/dental expenses for families reporting the highest level, and when the item was eliminated, it changed their Pell grant by 63 cents on average.

In some cases, it does make a difference, but even among families reporting the highest levels, it doesn't make a tremendous difference in the award.

Section G is something that I'm sure you and many of your colleagues are concerned about—asset information. Here, we are gathering information about equity in home, business and farm, as well as other investments.

The remaining two sections on the AFSA deal with veterans' benefits, which are included in the formula, and you'll see section I, expected taxable and nontaxable income. And Senators, this is

on the form solely because there is a separate formula for the dislocated worker which permits using expected year rather than base year income. So that small percentage of applicants is directed to section I, and those items replace base year adjusted gross income, etc., in the formula.

The other forms, Senators—and I'll try and wrap this up very quickly——

Senator PELL. Excuse me for interrupting. I have a couple of questions there. Why do you have to have it from the father and the mother? Why couldn't that be combined and make one less item for section I?

Mr. FITZGERALD. Senator, there is essentially an employee expense allowance in the formula, but probably more importantly, Senator, one of the parents may qualify for dislocated worker—there may be two wage earners, and one may be zero, and the other may have a wage, some earnings, that they estimate. That also is used in calculating unemployment expense allowance in the formula. Obviously, it takes more of the family's resources to earn two wages than it does if only one is working. So it both deals with that offset as well as the difference between one and two wage earners, rather than simply combining those.

Very quickly, if you look, for example, at the FAF, you will see that there is an additional set of data; I'll run through this. The FAF is the college board form. If you look at that form, you will see that the first page or two looks identical to the AFSA, but contains other information including some additional information on students; student's expected summer or school earnings; expected veterans' benefits; a listing of family members by age, etc. On the very back of the form, section N, you will see "parents' other information" that deals with home and some breakouts of IRS data. There is a special section for divorced, separated or remarried parents. And then there are Stafford loan questions.

This is a generic form, Senator, but many of the forms will also request some State data. Most of it is not financial; most of it has to do with Senatorial districts and some other requirements that States have, how many grants you may or may not have received in the past years. One State even collects information on the pre-1986 Federal independence status questions. So it is a potpourri of questions uniquely tailored to the States' programs; that would be section R or S. So that on MDE forms, for example, the College Board's FAF or ACT's FFS, the majority of students in fact will go beyond the data in the AFSA and fill out perhaps all the way down to State data.

Senator PELL. Question. In income tax forms—which I don't think are as complicated as this—there is a regular business now, H & R Block and Company, and various other tax preparers. Does that happen in this case? Are there firms that have stepped in and said we'll fill out your application form for a fee?

Mr. FITZGERALD. There are some, Senator, but it is not a situation that is indeed like H & R Block. The tax preparers tend to focus more on middle and upper income families that have fairly complicated financial circumstances. And indeed there has been some concern about the abilities of those families to create a rather favorable set of information, if you will, on these forms.

But the quick answer, Senator, is that the average family, especially the low-income family, other than through, for example, the TRIO programs or sitting down with financial aid counselors or high school guidance counselors, must confront these forms themselves.

Senator PELL. Have you walked us through it, then?

Mr. FITZGERALD. Yes.

Senator PELL. I would think there would be a regular business of doing what I suggested, where somebody could step into it, doing it for a small fee like $10, $20, fill these forms out.

Mr. FITZGERALD. I think, Senator, you'll hear today some recommendations that perhaps might make that unnecessary.

Senator PELL. Good.

Mr. FITZGERALD. As I mentioned, the key is to begin to tailor the form and the data requirements to the characteristics of the students. Clearly, a family who is on AFDC, which is already a federally means-tested program, does not need to complete even the full AFSA. Those families have submitted themselves to very intensive scrutiny, and there is no reason why the title IV programs can't accept that at face value and say, "Fine, Mr. and Mrs. Smith, you have already proved to the Federal Government that you are poor. We will give you title IV aid."

Senator PELL. Thank you.

Senator Kassebaum.

Senator KASSEBAUM. Thank you, Dr. Fitzgerald. No, I hardly know what to ask at this point.

I am sure once we get into the further panels in a little more detail and hear some of the problems that will be raised by other witnesses that we may have some questions then.

Thank you very much.

Mr. FITZGERALD. Thank you very much.

Senator PELL. Thank you very much, Dr. Fitzgerald.

[Materials of Mr. Fitzgerald follow:]

Application for Federal Student Aid

FREE! Don't send money

1991-92 School Year

NOTICE

You can use the ***FREE*** "Application for Federal Student Aid" (AFSA) to apply for financial aid from **Federal student financial aid programs.** However, for most State and private aid programs you will have to fill out **other forms.** To find out more about which form you should use, contact your high school counselor, financial aid office, or State scholarship agency. You'll find more information about Federal student aid programs on this page.

Be sure to read "Information on the Privacy Act and Use of Your Social Security Number" on page 12.

WARNING: You must fill out this form accurately. **The information which you supply can be checked** by your college or by the U.S. Department of Education.

You may be asked to provide U.S. income tax returns, the worksheets in this booklet and other information. If you can't or don't provide these records, you may not get Federal aid. If you get Federal student aid based on incorrect information, you will have to pay it back; you may also have to pay fines and fees. If you purposely **give false or misleading information** on your application form, you may be fined $10,000, receive a prison sentence, or both.

What Is This Application For?

You can use the form in this booklet as the first step in applying for student financial aid offered by the U.S. Department of Education.

These Federal student assistance programs can help you pay for most kinds of education after high school. The aid is available if you are attending a professional school, a vocational or technical school, or college. This application is for Federal student financial aid for the 1991-92 school year (July 1, 1991 - June 30, 1992).

The information on this page will answer some of your questions about these programs. However, for more information on Federal student financial aid, see **"Additional Information On The Federal Student Financial Aid Programs"** on page 10. The instructions in this booklet will tell you what information you have to provide on the form. If you have any questions after you have read the instructions, seek help. Talk to your high school counselor or the financial aid administrator at the school you want to attend.

OMB No. 1840-0110/APP. EXP. 6/30/92
U.S. Department of Education
Student Financial Assistance Programs

Who Can Get Aid From These Federal Student Financial Aid Programs?

↓	Pell Grants		Supplemental Educational Opportunity Grants (SEOG)		Perkins Loans
Undergraduate	Yes		Yes		Yes
Graduate	No		No		Yes
At least half-time	Yes*		Yes*		Yes*
Must be a U.S. citizen or eligible noncitizen	Yes		Yes		Yes
Must be registered with the Selective Service (if required)	Yes		Yes		Yes
Must have financial need	Yes		Yes		Yes
Must be working toward a degree or certificate	Yes		Yes		Yes
Must be making satisfactory academic progress	Yes		Yes		Yes
Must not be in default or owe a refund on a Federal grant or educational loan	Yes		Yes		Yes
Conviction of drug distribution or possession may make student ineligible	Yes		Yes		Yes

* In some cases, students going to school less than half-time may be eligible. Check with your financial aid administrator.

** In some cases, students don't have to be in a degree or certificate program. Check with your financial aid administrator.

DEADLINE: May 1, 1992

We must ***receive*** your form by May 1, 1992. Schools may have ***earlier deadlines*** you will have to meet. You should apply as early as possible. Mailing in your form is only the first step in applying for Federal student aid.

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INSTRUCTIONS

FOR SHADED AREAS **FOR GRAY SHADED AREAS**

BEFORE YOU BEGIN TO FILL OUT THE FORM, TEAR IT OUT OF THE BOOKLET AND LAY IT ALONGSIDE THE INSTRUCTIONS SO THAT YOU CAN CHECK FOR ADDITIONAL INSTRUCTIONS AS YOU GO ALONG.

The and **GRAY** areas indicate which instructions are for which questions. **Read the instructions as you fill out this form.** Mistakes will delay the processing of your application.

Some instructions appear on the form itself. Since those questions are self-explanatory, no additional instructions are provided. Where additional information is necessary, you will find it in this instruction booklet.

The instructions for this form will usually answer questions that you have. If you need more help, contact your high school guidance counselor or your college financial aid administrator.

Although other people (besides the student who is applying for aid) may help fill out this form, it is about the student. On this form, the words "you" and "your" always mean the student. The word "college" means a college, university, graduate or professional school, vocational or technical school, or any other school beyond high school.

"Student financial aid" means money from educational loans, grants, and scholarships. It also means earnings from the College Work-Study Program or other earnings you received based on your financial aid administrator's determination of your financial need.

Records You Will Need

Get together these records for yourself and your family.

- 1990 U.S. income tax return (IRS Form 1040, 1040A, or 1040EZ).
- 1990 State and local income tax returns.
- W-2 forms and other records of money earned in 1990.
- Records of untaxed income, such as welfare, social security, AFDC or ADC, or veterans benefits.
- Current bank statements.
- Current mortgage information.
- Records of medical or dental bills that were paid in 1990.
- Business and farm records.
- Records of stocks, bonds, and other investments.

Keep these records!

Won't file a tax return. Even if you and your spouse or your parents file no income tax return for 1990, you will need to know earnings for the year. You may also need records showing the amount of other income you are to report on your application.

Tax return not completed yet. If you, your spouse, and/or your parents haven't completed a 1990 U.S. income tax return but will be filing one, **we recommend that you complete your return before filling out this application.** Knowing what will be on your tax return will help you to fill out this application accurately. When your application is compared with the official 1990 IRS Form 1040, 1040A, or 1040EZ that is filed for you and your family, the financial information must agree. If there are **any** errors, you will have to correct the information and send it back to the U.S. Department of Education. If this happens, it will take longer to determine whether you are **eligible** for Federal student aid. It could mean a delay in getting your student financial aid.

If you, your spouse, and/or your parents filed (or will file) a **"Foreign Tax Return"** or are a **"Native American,"** see page 10.

When You Fill Out This Form

- Use a pen with black or dark ink; don't use a pencil.
- Print carefully, so that your form will be easy to read.
- Round off figures to the nearest dollar. For 50 cents or more, round up; for 49 cents or less, round down.

Section A: Yourself

Write in this section information about you, the student who is applying for aid.

2. Write in the address where you will be receiving mail. All mail will be sent to this address. Don't use the address of the financial aid office or any other office. Use the State/Country abbreviations list below.

State/Country Abbreviations

AL Alabama	IN Indiana	NM New Mexico	VA Virginia
AK Alaska	IA Iowa	NY New York	WA Washington
AS American Samoa	KS Kansas	NC North Carolina	WV West Virginia
AZ Arizona	KY Kentucky	ND North Dakota	WI Wisconsin
AR Arkansas	LA Louisiana	OH Ohio	WY Wyoming
CA California	ME Maine	OK Oklahoma	
CO Colorado	MD Maryland	OR Oregon	CN Canada
CT Connecticut	MA Massachusetts	PA Pennsylvania	FM Federated States of Micronesia
DE Delaware	MI Michigan	PR Puerto Rico	
DC District of Columbia	MN Minnesota	RI Rhode Island	
FL Florida	MS Mississippi	SC South Carolina	MH Marshall Islands
GA Georgia	MO Missouri	SD South Dakota	
GU Guam	MT Montana	TN Tennessee	MX Mexico
HI Hawaii	NE Nebraska	TX Texas	MP Northern Mariana Islands
ID Idaho	NV Nevada	UT Utah	
IL Illinois	NH New Hampshire	VT Vermont	PW Palau
	NJ New Jersey	VI Virgin Islands	

If your place of residence is not included above, leave the State abbreviation blank and write the name of your city and territory or country in the space for city.

4. Write in the two-letter abbreviation for your current State/Country of legal residence. Use the State/Country abbreviations list above.

6. Write in your birth date. For example, if you were born on July 5, 1972, you would write in:

07 05 72
Month Day Year

7. If you are a U.S. citizen (or U.S. national), check the first box and go on to question 8. Check the second box and write in your eight or nine digit Alien Registration Number if you are one of the following:

   - U.S. permanent resident, and you have an Alien Registration Receipt Card (I-151 or I-551).

- Other eligible noncitizen with a Departure Record (I-94) from the U.S. Immigration and Naturalization Service showing any one of the following designations: (a) "Refugee", (b) "Asylum Granted", (c) "Indefinite Parole" and/or "Humanitarian Parole", (d) "Cuban-Haitian Entrant."

- Other eligible noncitizen with a Temporary Resident Card (I-688).

If you are a citizen of the Marshall Islands, Federated States of Micronesia, or Palau, see your financial aid administrator.

If you cannot check the first or second box, you **must** check the third box. If you are in the U.S. on only an F1 or F2 student visa; only a J1 or J2 exchange visitor visa; or only a G series visa (pertaining to international organizations), you must check the third box.

9. Check your year in college from July 1, 1991 to June 30, 1992.

10. Check "No" if you do not have a Bachelor's degree and you will not have one by July 1, 1991.

    Check "Yes" if you already have a Bachelor's degree or will have one by July 1, 1991. Also, check "Yes" if you have or will have a degree from a university in another country that is equal to a Bachelor's degree.

Section B: Student Status

Answer question 11. A blank counts as "No."

11. **a.** Check the correct box. (See your answer to question 5.)

    b. Check "Yes" if you are a veteran of active service in the U.S. Army, Navy, Air Force, Marines or Coast Guard. Also check "Yes" if you are **not** a veteran **now** but will be one by June 30, 1992.

    Check "No" if you are or were:

    - never in the U.S. Armed Forces;
    - only an ROTC student;
    - only a cadet or midshipman at one of the service academies;
    - only a National Guard or Reserves enlistee; **or**
    - currently serving in the U.S. Armed Forces, and will continue to serve through June 30, 1992.

    c. Check "Yes" if (1) both your parents are dead **and** you don't have an adoptive parent or legal guardian, or (2) if you are currently a ward of the court. For a definition of a **"Legal Guardian,"** see page 10. Otherwise check "No."

    d. Check "Yes" if you have any children who get more than half of their support from you. Also check "Yes" if other people live with you and get more than half of their support from you and will continue to get that support during the 1991-92 school year. *(Don't include your spouse.)* Otherwise check "No."

"Parents" in questions 12, 14a-14e, and 15 means your mother and/or father, or your adoptive parents, or legal guardian. "Parents" does not mean foster parents, and for this section, it does not mean stepparent. Later, the instructions will tell you if you should supply information about your stepparents.

Unmarried Undergraduate Students Only

12. If your parents claimed you as an exemption on their 1989 and/or will do so on their 1990 income tax return, you must answer "Yes." If your parents are divorced or separated, answer "Yes" if either of your parents claimed you as an income tax exemption in 1989 and/or will do so on their 1990 income tax return. Otherwise check "No."

13. Check the box that best describes when you first received Federal student aid, ***beginning with the 1987-88 school year*** (July 1, 1987 - June 30, 1988). *Check only one box: a, b, c, d, or e.*

Federal student aid includes:

- Pell Grant,
- Stafford Loan/Guaranteed Student Loan (GSL), including Supplemental Loans for Students (SLS),
- Supplemental Educational Opportunity Grant (SEOG),
- College Work-Study (CWS),
- Perkins Loan/National Direct Student Loan (NDSL), **or**
- State Student Incentive Grant (SSIG). These grants often have other names such as Student Incentive Grants, Incentive Grants, Tuition Grants, etc.

Below are some examples to help you answer question 13.

EXAMPLE #1 - Buck Bundy received Federal student aid in the 1986-87 and 1987-88 school years. Therefore, Buck should check box "a." Even if Buck had received Federal student aid in the 1985-86 and 1987-88 school years, he should still check box "a," because the first school year (beginning with 1987-88) in which he received Federal student aid is 1987-88.

EXAMPLE #2 - Jeff Akbar ***first*** received Federal student aid in the 1988-89 school year. Therefore, Jeff should check box "b."

EXAMPLE #3 - Wu Lin ***first*** received Federal student aid in the 1989-90 school year. Therefore, Wu should check box "c."

EXAMPLE #4 - Kate Murphy ***first*** received Federal student aid in the 1990-91 school year. Therefore, Kate should check box "d."

EXAMPLE #5 - Vickie Tingley received Federal student aid in the 1986-87 school year and has not received Federal student aid since then. Therefore, Vickie should check box "e."

EXAMPLE #6 - Joaquin Rodriguez has never received Federal student aid. Therefore, Joaquin should check box "e."

14a - 14e. When figuring your resources in questions 14a, 14b, 14c, 14d, **or** 14e be sure to include:

- wages, salaries, and tips, etc.;
- interest income and dividend income;
- any student financial aid (except PLUS loans);
- personal long term cash loans used for educational purposes, **and**
- any other income and benefits (such as veterans cash benefits, fellowships, etc.)

Don't include any resources from your parents such as money that you earned from them or gifts that you received from them.

Married or Graduate/Professional Students Only

15. If your parents will claim you as an exemption on their 1991 income tax return, you must answer "Yes."

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You must see your college financial aid administrator before completing the rest of this form if:

- you answered "No" to all of the questions in 11 but after answering questions 12 through 14, or 15 you were told to fill out the gray and the white areas, and
- you were not required to provide parental information in 1990-91, and
- you were claimed by any person, other than your spouse, as a tax exemption in 1990.

Important Instructions for Sections C, D, E, F, G, and I

Parents' information - gold areas

Read the descriptions below. Check the box that is true for you and follow the instructions.

- ❑ **Your parents are both living and married to each other.** Answer the questions on the rest of the form about them.
- ❑ **You have a legal guardian.** Answer the questions on the rest of the form about your **"Legal Guardian."** For a definition of "Legal Guardian" see page 10.
- ❑ **Your parents have divorced or separated.** Answer the questions on the rest of the form about the parent you lived with most in the last 12 months. For example, if you lived with your mother most, answer the questions about her, and not about your father. If you did not live with one parent more than with the other in the last 12 months, answer in terms of the parent who provided the most financial support during that time. If neither parent provided greater financial support during the last 12 months, answer in terms of the parent who provided the greater support during the most recent calendar year. *(Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, payment of college [illegible], etc.)*
- ❑ **Your parent is widowed or single.** Answer the questions on the rest of the form about that parent.

If you have a stepparent. If the parent that you counted above has married or remarried, you must include information about your stepparent (even if they were not married in 1990).

If you are giving information about your stepparent, note that whenever we say "parents" on the rest of the form, we also mean your stepparent.

Section C: Household Information

Your parents' household information - gold area

16. Show the current marital status of the people that you give information about on this form. For example, if you give information about your mother and stepfather, check the box that says "married," because your mother and stepfather are married.

17. Write in the two-letter abbreviation for your parents' current State/Country of legal residence. See the list of State/Country abbreviations under the instructions for question 2.

18. Write in the number of people that your parents will support between July 1, 1991 and June 30, 1992. Include your parents and yourself. Include your parents' other children if they get more than half of their support from your parents. Also include them if they would be required to provide parental information when applying for Federal student aid for the 1991-92 school year. Include other people only if they now live with and get more than half of their support from your parents and will continue to get this support between July 1, 1991 and June 30, 1992. *(Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, payment of college costs, etc.)*

19. Write in the number of people from question 18, including yourself, who will be going to college between July 1, 1991 and June 30, 1992. Include only students enrolling for at least 6 credit hours per term. If the school uses clock hours, include only students attending at least 12 clock hours per week.

Your (& your spouse's) household information - gray area

Fill out this section with information about yourself (and your spouse). If you are divorced, separated, or widowed, don't include information about your spouse.

20. Write in the number of people that you will support between July 1, 1991 and June 30, 1992. Include yourself and your spouse. Include your children if they get more than half of their support from you. Include other people only if they meet the following criteria:
    - they now live with you, and
    - they now get more than half of their support from you and they will continue to get this support between July 1, 1991 and June 30, 1992.

21. Write in the number of people from question 20, including yourself, who will be going to college between July 1, 1991 and June 30, 1992. Include only students enrolling for at least 6 credit hours per term. If the school uses clock hours, include only students attending at least 12 clock hours per week.

Section D: Your parents' 1990 income, earnings, and benefits

If the instructions tell you to skip a question, leave it blank. If your answer to any other question is "none" or "zero," put a zero in the answer space. Don't leave it blank or use dashes. For example:

$ 0 .00

If your parents filed (or will file) a **"Foreign Tax Return"** or a **Puerto Rican tax return,** see page 10.

22. **1990 U.S. income tax figures**

From a completed return. Check only one box to indicate which IRS Form was filed. Use this tax return to answer questions 23 through 28.

Estimated. Check the correct box if your parents have not yet filed but will file a 1990 U.S. income tax return. Use their financial records to answer questions 23 through 28. For these questions, you must write in the figures that will be on the tax return. Filling out a 1990 U.S. income tax return will help you answer these questions.

A tax return will not be filed. Check this box if your parents will not file a 1990 U.S. income tax return. Don't answer questions 23 through 25. Skip to question 26.

If you are giving information for only one parent and that parent filed (or will file) a joint tax return for 1990, give only that parents' portion of the exemptions and income asked for in questions 23 through 28.

If your parents are married and they filed (or will file) separate tax returns for 1990, be sure to include both parent's exemptions and income in questions 23 through 28.

23. **Total number of exemptions for 1990.** Write in the number from Form 1040, line 6e or 1040A, line 6e. If your parent used the 1040EZ and he or she checked "Yes" in question 4 of that form, write in "00." Otherwise, write in "01."

Important: See the table below for some of the types of student financial aid that you should exclude from income and taxes in questions 24 through 28.

Student Financial Aid	Exclude if based on need	Exclude if not based on need
Grants, Scholarships or Fellowships	Yes	Yes
Earnings from a work program including Assistantships	Yes	No
Loans	Yes	Yes

24. **Adjusted Gross Income (AGI) for 1990. Don't include** any income or capital gains from the sale of a business or farm, if the sale resulted from a voluntary or involuntary foreclosure, forfeiture, or bankruptcy or involuntary liquidation.

Use worksheet #1 on page 11 to answer question 24 if you cannot get a 1990 tax form, but will be filing one.

25. **U.S. income tax paid for 1990.** Make sure this amount doesn't include any FICA, self-employment, or other taxes. Don't copy the amount of "Federal income tax withheld" from a W-2 Form.

26. **Income earned from work in 1990.**

&

27. **If you skipped questions 23 through 25,** include your parents' earnings from work in 1990. Add up the earnings from your parents' W-2 forms and any other earnings from work that are not included on the W-2.

If you answered questions 23 through 25, include the "wages, salaries, tips, etc." from your parents' Form 1040, line 7; 1040A, line 7; or 1040EZ, line 1. If your parents filed a joint return, report your father's and mother's earnings separately. If your parents own a business or farm, also add in the numbers from Form 1040, lines 12 and 19.

28. **Untaxed income and benefits for 1990.**

28a. **Social security benefits for 1990.** Write in the amount of untaxed social security benefits (including Supplemental Security Income) that your parents got in 1990. Don't include any benefits reported in question 24. Don't report monthly amounts; write in the total for 1990. Be sure to include the amounts that your parents got for you and their other children.

28b. **Aid to Families with Dependent Children (AFDC or ADC) for 1990.** Don't report monthly amounts; write in the total for 1990. Don't report social security benefits.

28c. **Child support received for all children.** Include the student. Don't report monthly amounts; write in the total for 1990.

28d. **Other untaxed income and benefits for 1990.** Add up your parents' untaxed income and benefits for 1990. Use worksheet #2 on page 11. Be sure to include your parent's earned income credit and deductible IRA/Keogh payments, if any.

Everyone must answer the questions in the Student & Spouse) column in Section D.

Section D: Your (& your spouse's) 1990 income, earnings and benefits

If the instructions tell you to skip a question, leave it blank. If your answer to any other question is "none" or "zero," put a zero in the answer space. **Don't** leave it blank or use dashes. For example:

$ 0 .00

If you (or your spouse) filed (or will file) a **"Foreign Tax Return"** or a **Puerto Rican tax return,** see page 10.

22. **1990 U.S. income tax figures.**

From a completed return. Check only one box to indicate which IRS Form was filed. Use this tax return to answer questions 23 through 28.

Estimated. Check the correct box if you (and your spouse) have not yet filed but will file a 1990 U.S. income tax return. Use your financial records to answer questions 23 through 28. For these questions, you must write in the figures that will be on the tax return. Filling out a 1990 U.S. income tax return will help you answer these questions.

A tax return will not be filed. Check this box if you (and your spouse) will not file a 1990 U.S. income tax return. Don't answer questions 23 through 25. Skip to question 26.

If you are divorced, separated, or widowed, and you filed (or will file) a joint tax return for 1990, give only your portion of the exemptions and income asked for in questions 23 through 28.

If you are married and you and your spouse filed (or will file) separate tax returns for 1990, be sure to include both your and your spouse's exemptions and income in questions 23 through 28, even if you were not married in 1990.

23. **Total number of exemptions for 1990.** Write in the number from Form 1040, line 6e or 1040A, line 6e. If you used the 1040EZ and you checked "Yes" in question 4 of that form, write in "00." Otherwise write in "01."

Important: See the table (on the next page) for some of the types of student financial aid that you should exclude from income and taxes in questions 24 through 28.

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Student Financial Aid	Exclude if based on need	Exclude if not based on need
Grants, Scholarships or Fellowships	Yes	Yes
Earnings from a work program including Assistantships	Yes	No
Loans	Yes	Yes

24. **Adjusted Gross Income (AGI) for 1990. Don't include** any income or capital gains from the sale of a business or farm, if the sale resulted from a voluntary or involuntary foreclosure, forfeiture, or bankruptcy or involuntary liquidation.

Use worksheet #1 on page 11 to answer question 24 if you cannot get a 1990 tax form, but will be filing one.

25. **U.S. income tax paid for 1990.** Make sure this amount doesn't include any FICA, self-employment, or other taxes. **Don't** copy the amount of "Federal income tax withheld" from a W-2 Form.

26. **Income earned from work in 1990.**

&

27. **If you skipped questions 23 through 25,** include your (and your spouse's) earnings from work in 1990. Add up the earnings from your (and/or your spouse's) W-2 forms and any other earnings from work that are not included on the W-2.

If you answered questions 23 through 25, include the "wages, salaries, tips, etc." from your (and your spouse's) Form 1040, line 7; 1040A, line 7; or 1040EZ, line 1. If you (and your spouse) filed a joint return, report your and your spouse's earnings separately. If you (and your spouse) own a business or farm, also add in the numbers from Form 1040, lines 12 and 19.

28. **Untaxed income and benefits for 1990.**

Don't include benefits reported in questions 28a, 28b, 28c, and 28d of the parent column.

28a. **Social security benefits for 1990.** Write in the amount of untaxed social security benefits (including Supplemental Security Income) that you (and your spouse) got in 1990. Don't include any benefits reported in question 24. Don't report monthly amounts; write in the total for 1990. Be sure to include the amounts that you got for your children.

28b. **Aid to Families with Dependent Children (AFDC or ADC) for 1990.** Don't report monthly amounts; write in the total for 1990. Don't report social security benefits.

28c. **Child support received for all children.** Don't report monthly amounts; write in the total for 1990.

28d. **Other untaxed income and benefits for 1990.** Add up your (and your spouse's) untaxed income and benefits for 1990. Use worksheet #2 on page 11. Be sure to include your (and your spouse's) earned income credit and deductible IRA/Keogh payments, if any.

Section E: College Release and Certification

29. Write in the **complete** name, city, and State of the college(s) that you will **most** likely be going to during the 1991-92 school year. In 29a, write in the name and address of your first college choice. In 29b, write in the name and address of your second college choice. In 29c, write in the name and address of your third college choice. Do not use abbreviations for the name or address of the college. If the college you may be going to is a branch campus, be sure to include the complete name of the branch. If you don't know yet which college(s) you are most interested in, you may leave this question blank.

30. We are permitted by regulation to provide your name, address, social security number, date of birth, Pell Grant Index (PGI), Family Contribution (FC), student status, year in college, and State of legal residence to the college(s) that you listed in question 29a, 29b, and 29c (or its representative), even if you check "No" to question 30b. This information will also go to the State agencies in your State of legal residence to help coordinate State financial aid programs with Federal student aid programs, even if you check "No" to question 30a. However, no additional information such as income information will be sent if you check "No" to question 30a or 30b.

30a. Check "Yes" if you give us permission to send information from this form to the financial aid agencies in your State. Some State agencies ask for this information. They may use it to help decide whether you will get a State award and to check to see if you reported correct information on your State student aid application. Also, they may use it to help in the processing of your application for a Stafford Loan, if you are eligible.

Check "No" if you don't want us to send information from this form to the financial aid agencies in your State. If you check "No," any State aid you might be eligible for may be delayed, but it will have no effect on your Federal aid.

30b. Check "Yes" if you give us permission to send information from this form to the college(s) that you listed in question 29a, 29b, and 29c (or its representative). Many colleges use this information to help estimate the amount of your financial aid package.

Check "No" if you don't want us to send information from this form to the college(s) that you listed in question 29a, 29b, and 29c (or its representative).

31. **Selective Service Registration**

In order to receive Federal student aid you must be registered with Selective Service if:

- you are a male who is at least 18 years old and born after December 31, 1959.

Check the box **only** if you:

- are a male and are 18 through 25 years of age, **and**
- have not yet registered with Selective Service, **and**
- give Selective Service permission to register you.

If you believe that you are not required to be registered, call the Selective Service at 1-800-621-5388 for information regarding exemptions.

32. **Read and sign**

You must sign this form. If you don't sign this form, it will be returned unprocessed. If you are married, your spouse must

FREE

Application for Federal Student Aid

1991-92 School Year

WARNING: If you purposely give false or misleading information on this form, you may be fined $10,000, sent to prison, or both.

"You" and "your" on this form always mean the student who wants aid.

Section A: Yourself

1. Your name — Last / First / M.I.
2. Your permanent mailing address (Mail will be sent to this address. See page 2 for State/Country abbreviation.) — Number and Street (Include Apt. No.) / City / State / ZIP Code
3. Your title (optional)
   - ☐ Mr.
   - ☐ Miss, Ms., or Mrs.
4. Your State of legal residence — State
5. Your social security number
6. Your date of birth — Month / Day / Year
7. Are you a U.S. citizen?
   - ☐ Yes, I am a U.S. citizen.
   - ☐ No, but I am an eligible noncitizen. (See the instructions on page 2.) [A]
   - ☐ No, neither of the above. (See the instructions on page 2.)
8. As of **today**, are you married? (Check only one box.)
   - ☐ I am not married. (I am single, divorced, or widowed.)
   - ☐ I am married.
   - ☐ I am separated from my spouse.
9. What year will you be in college in 1991-92? (Check only one box.)
   - a. ☐ 1st (never previously attended college)
   - b. ☐ 1st (previously attended college)
   - c. ☐ 2nd d. ☐ 3rd e. ☐ 4th
   - f. ☐ 5th or more undergraduate
   - g. ☐ first year graduate/professional (beyond a bachelor's degree)
   - h. ☐ Continuing graduate or professional
10. Will you have your first Bachelor's degree before July 1, 1991?
    - ☐ Yes ☐ No

Section B: Student Status

		Yes	No
11.	a. Were you born **before** January 1, 1968?	☐	☐
	b. Are you a veteran of the U.S. Armed Forces?	☐	☐
	c. Are you a ward of the court or are both your parents dead?	☐	☐
	d. Do you have legal dependents (*other than a spouse*) that fit the definition in the instructions on page 3?	☐	☐

If you answered **"Yes"** to **any** part of question 11, go to Section C and fill out the **GRAY** and the **WHITE** areas on the rest of the form. (Skip questions 12 through 15.)

If you answered **"No"** to **every** part of question 11, **and** you are:

- Unmarried now (single, divorced, separated, or widowed) **and** will be an undergraduate student in 1991-92, answer question 12. (Skip question 15.)
- Married now **or** will be a graduate/professional student in 1991-92, answer question 15. (Skip questions 12 through 14e.)

Unmarried Undergraduate Students Only

12. Did your parents claim you as an income tax exemption?

	Yes	No
... in 1989?	☐	☐
... in 1990?	☐	☐

If you answered **"Yes"** to **either** year in question 12, go to Section C and fill out the **GOLD** and the **WHITE** areas on the rest of the form. (Skip questions 13 through 15.)

If you answered **"No"** to **both** years in question 12, answer question 13 below.

13. **Beginning with the 1987-88 school year, you first** received Federal student aid. (*Check only one box: a, b, c, d, or e. See instructions on page 3.*)

a. ☐ in the 1987-88 school year. (Answer **14a below**. Skip 14b, 14c, 14d, and 14e.)
b. ☐ in the 1988-89 school year. (Answer **14b below**. Skip 14a, 14c, 14d, and 14e.)
c. ☐ in the 1989-90 school year. (Answer **14c below**. Skip 14a, 14b, 14d, and 14e.)
d. ☐ in the 1990-91 school year. (Answer **14d below**. Skip 14a, 14b, 14c, and 14e.)
e. ☐ in neither a, b, c, or d. (Answer **14e below**. Skip 14a, 14b, 14c, and 14d.)

	14a. Did you have total resources of $4,000 or more, not including parents' support	14b. Did you have total resources of $4,000 or more, not including parents' support	14c. Did you have total resources of $4,000 or more, not including parents' support	14d. Did you have total resources of $4,000 or more, not including parents' support	14e. Did you have total resources of $4,000 or more, not including parents' support
	Yes / No	Yes / No	Yes / No	Yes / No	Yes / No
... in 1988?	☐ ☐	☐ ☐	☐ ☐	☐ ☐	☐ ☐
... in 1987?	☐ ☐	☐ ☐	☐ ☐	☐ ☐	☐ ☐

- If you answered **"No"** to **either** year in question 14a, 14b, 14c, 14d, or 14e, go to Section C and fill out the **GOLD** and the **WHITE** areas on the rest of the form.
- If you answered **"Yes"** to **both** years in question 14a, 14b, 14c, 14d, or 14e, go to Section C and fill out the **GRAY** and the **WHITE** areas on the rest of the form.

Married or Graduate/Professional Students Only

15. Will your parents claim you as an income tax exemption in 1991?

Yes	No
☐	☐

If you answered **"Yes"** to question 15, go to Section C and fill out the **GOLD** and the **WHITE** areas on the rest of the form.

If you answered **"No"** to question 15, go to Section C and fill out the **GRAY** and the **WHITE** areas on the rest of the form.

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SUPPLEMENTAL INFORMATION

Section F: 1990 expenses

	PARENTS	STUDENT (& SPOUSE)
33. 1990 medical and dental expenses not paid by insurance	$ _____ .00	33. $ _____ .00
34. 1990 elementary, junior high, and high school tuition for dependent children		
34a. Amount paid. (Don't include tuition paid for the applicant.)	$ _____ .00	34a. $ _____ .00
34b. For how many dependent children	☐☐	34b. ☐☐

Section G: Asset Information

If you are completing this page, you must fill out the student (& spouse) column below.

	PARENTS		STUDENT (& SPOUSE)	
35. Is either of your parents a displaced homemaker? (See the instructions on page 7.)	☐ Yes ☐ No		35. Are you, or is your spouse, a displaced homemaker? (See the instructions on page 9.)	☐ Yes ☐ No
36. Write in the age of your older parent.	☐☐		36. xxxxxxxxxx	
	What is it worth today?	What is owed on it?	What is it worth today?	What is owed on it?
37. Cash, savings, and checking accounts	$ _____ .00	xxxxxxxxxx	37. $ _____ .00	xxxxxxxxxx
38. Home. (Renters write in "0.")	$ _____ .00	$ _____ .00	38. $ _____ .00	$ _____ .00
39. Other real estate and investments	$ _____ .00	$ _____ .00	39. $ _____ .00	$ _____ .00
40. Business and farm	$ _____ .00	$ _____ .00	40. $ _____ .00	$ _____ .00
41. Does any part of item 40 include a farm?	☐ Yes ☐ No		41. ☐ Yes ☐ No	

Section H: Your veterans educational benefits per month *(for the student only)*

(If you are completing this page, you must answer question 42. If you are filling out the GRAY and the WHITE areas, you must also answer question 43.)

		Expected Amount, July 1, 1991 through June 30, 1992
42. Your veterans Dependents Educational Assistance Program benefits	42a. Amount per month	$ _____ .00 a month
	42b. Number of months	☐☐ months
43. Your Veterans Cooperative Benefits (VCB)	43a. Amount per month	$ _____ .00 a month
	43b. Number of months	☐☐ months

Section I: Expected 1991 taxable and nontaxable income and benefits

(You must see the instructions for income and taxes that you should exclude from questions 45 through 49.)

If you are completing this page, you must fill out the student (& spouse) column below.

	PARENTS	STUDENT (& SPOUSE)	
44. Is either of your parents **certified** as a dislocated worker by the appropriate agency? (See the instructions on page 9.)	☐ Yes (Fill out the rest of this column, and go to the student and spouse column, question 44.) ☐ No (Skip this column and go to the student and spouse column, question 44.)	44. Are you, or is your spouse, **certified** as a dislocated worker by the appropriate agency? (See the instructions on page 9.)	☐ Yes (Fill out the rest of this column.) ☐ No (Skip this column and mail the form.)
45. 1991 income earned from work. Father	$ _____ .00	Student 45. $ _____ .00	
46. 1991 income earned from work. Mother	$ _____ .00	Spouse 46. $ _____ .00	
47. 1991 other taxable income	$ _____ .00	47. $ _____ .00	
48. 1991 U.S. income tax to be paid	$ _____ .00	48. $ _____ .00	
49. 1991 nontaxable income and benefits. (See instructions on page 9.)	$ _____ .00	49. $ _____ .00	

STOP

You have finished the application. Recheck your application. **MAKE SURE THAT YOU HAVE COMPLETED SECTION E.**

Mail the application to: Federal Student Aid Programs, P.O. Box 5900, Princeton, NJ 08541.

Section C: Household information

PARENTS

16. What is your parents' current marital status?

1 ☐ single
2 ☐ married
3 ☐ separated
4 ☐ divorced
5 ☐ widowed

17. What is your parents' State of legal residence?

☐☐
State

18. Number of family members in 1991-92 ☐☐

(Always include yourself (the student) and your parents. Include your parents' other children and other people only if they meet the definition in the instructions on page 4.)

19. Number of college students in 1991-92 ☐

(Of the number in 18, write in the number of family members who will be in college at least half-time. Include yourself—the applicant.) 2

STUDENT (& SPOUSE)

20. Number of family members in 1991-92 ☐☐

(Always include yourself and your spouse. Include your children and other people only if they meet the definition in the instructions on page 4.)

21. [illegible] ☐

Section D: 1990 income, earnings, and benefits

*(You **must** see the instructions for income and taxes that you should exclude from questions 24 through 28.)*

22. The following 1990 U.S. income tax figures are from:

Everyone must fill out the Student (& Spouse) column below.

PARENTS *(Check only one box.)*		STUDENT (& SPOUSE) *(Check only one box.)*	
1 ☐ a completed 1990 IRS Form 1040EZ or 1040A	(Go to 23.)	1 ☐ a completed 1990 IRS Form 1040EZ or 1040A	(Go to 23.)
2 ☐ a completed 1990 IRS Form 1040	(Go to 23.)	2 ☐ a completed 1990 IRS Form 1040	(Go to 23.)
3 ☐ an estimated 1990 IRS Form 1040EZ or 1040A	(Go to 23.)	3 ☐ an estimated 1990 IRS Form 1040EZ or 1040A	(Go to 23.)
4 ☐ an estimated 1990 IRS Form 1040	(Go to 23.)	4 ☐ an estimated 1990 IRS Form 1040	(Go to 23.)
5 ☐ a tax return will not be filed	(Skip to 26.)	5 ☐ a tax return will not be filed	(Skip to 26.)

TAX FILERS ONLY

23. 1990 total number of exemptions (Form 1040 line 6e, or 1040A line 6e, 1040EZ filers, see instructions on page 5) ☐☐

24. 1990 Adjusted Gross Income (AGI)—Form 1040 line 31, 1040A line 16, or 1040EZ line 3, or see instructions on pages 5 and 6 $_____.00

25. 1990 U.S. income tax paid (Form 1040 line 47, 1040A line 25, or 1040EZ line 7) $_____.00

26. 1990 income earned from work: Father $_____.00

27. 1990 income earned from work: Mother $_____.00

28. 1990 untaxed income and benefits *(yearly totals only)*

28a. Social security benefits $_____.00

28b. Aid to Families with Dependent Children (AFDC or ADC) $_____.00

28c. Child support received for all children $_____.00

28d. Other untaxed income and benefits from worksheet #2 on page 11 $_____.00

TAX FILERS ONLY

33. ☐☐

24. $_____.00

25. $_____.00

Student 26. $_____.00

Spouse 27. $_____.00

28a. $_____.00

28b. $_____.00

28c. $_____.00

28d. $_____.00

Section E: College Release and Certification

29. What college(s) do you plan to go to in 1991-92?

	College Name	Street Address	City	State
29a.				
29b.				
29c.				

30. Do you give the U.S. Department of Education permission to send information from this form to:

30a. The financial aid agencies in your State? ☐ Yes ☐ No

30b. The college(s) you named in 29 (or its representative)? ☐ Yes ☐ No

31. ☐ Check this box if you give Selective Service permission to register you. *(See instructions on page 6.)*

Dept. of Ed Use Only
(Do not write in this box.)

32. Read and sign

Certification: All of the information on this form and the Supplemental Information page, if completed, is true and complete to the best of my knowledge. If asked by an authorized official, I agree to give proof of the information that I have given on this form and the Supplemental Information page, if completed. I realize that this proof may include a copy of my U.S., State, or local income tax return. I also realize that if I do not give proof when asked, the student may be denied aid.

Everyone giving information on this form must sign below. If you don't sign this form, it will be returned unprocessed.

1. Student
2. Student's spouse
3. Father
4. Mother

Date completed: Month Day Year ☐ 1991 ☐ 1992

ATTENTION

If you are filling out the GOLD and WHITE areas, you will need to refer to Section D to complete worksheet #3A below. The worksheet will tell you whether you must fill out the Supplemental Information (Sections F through I).

WORKSHEET #3A FOR THE SIMPLIFIED NEEDS TEST

1. Did or will you, your spouse, or your parents file a 1990 IRS Form 1040? (Does not include 1040A or 1040EZ.)

☐ Yes. (Fill out Sections F through I.)
☐ No. (Fill out the rest of this worksheet.)

Check "Yes" if a foreign or Puerto Rican tax return was or will be filed.

		PARENTS COLUMN A	STUDENT/SPOUSE COLUMN B
	Income from:		
2a.	Question 24	$ .00	$ .00
	OR		
2b.	Questions 26 and 27 (use **only** if you left Question 24 blank)	$ .00	$ .00
3.	Write in the total of column A and column B entries from Question 2.	$ .00	

If the total from 3 is **$15,000 or less**, mail the form. **You do not have to fill out the Supplemental Information** (unless you, your spouse or at least one of your parents is a dislocated worker or your school or State asks you to). **Mail the form to:** Federal Student Aid Programs, P.O. Box 6900, Princeton, NJ 08541

If the total from 3 is **$15,001 or more**, you **must** fill out Sections F through I.

sign this form. If you filled out the and the **WHITE** areas, at least one of your parents must also sign this form. **Everyone signing this form is certifying that all information on the form is correct** and that they are willing to provide documents to prove that the information is correct. Such documents may include U.S., State, or local tax returns. Any AFSA dated or received before January 1, 1991 will be returned unprocessed.

Sending In Your Form

Double-check your form to make sure it is complete and accurate. Be sure it has the necessary signatures.

Put the form in the envelope provided in this booklet. Don't send money. Don't put letters, tax forms, worksheets, or any extra materials in the envelope. **They will be destroyed.**

Instructions for the Supplemental Information

Section F: Your parents' 1990 expenses

Don't leave any of these questions blank. If a question doesn't apply to you, write in "0."

33. **Medical and dental expenses in 1990 not paid by insurance.** Write in the amount of money that your parents **paid** in 1990 for medical and dental expenses (include insurance premiums). Don't include amounts covered by insurance or self-employed health deductions from Form 1040-line 26. If your parents itemized deductions on their 1990 U.S. income tax return, write in the amount from Form 1040, Schedule A, line 1.

34. **Elementary, junior high, and high school tuition paid in 1990.**

34a. Write in the amount of money that your parents **paid** in 1990 for elementary, junior high, and high school tuition for family members **who were included** in question 18. (Tuition doesn't include room, board, books, transportation, etc.). **Don't include** tuition paid by scholarships. Also, don't include tuition that your parents paid for you or any tuition for preschool or college.

34b. Write in the number of dependent children for whom the amount listed in 34a was paid in 1990. **Don't include** yourself (the student) **or** any person who was not included in question 18.

Section F: Your (& your spouse's) 1990 expenses

Don't leave any of these questions blank. If a question doesn't apply to you, write in "0."

33. **Medical and dental expenses in 1990 not paid by insurance.** Write in the amount of money that you (and your spouse) **paid** in 1990 for medical and dental expenses (include insurance premiums). Don't include amounts covered by insurance or self-employed health deductions from Form 1040-line 26. If you (and your spouse) itemized deductions on your 1990 U.S. income tax return, write in the amount from Form 1040, Schedule A, line 1.

34. **Elementary, junior high, and high school tuition paid in 1990.**

34a. Write in the amount of money that you (and your spouse) **paid** in 1990 for elementary, junior high, and high school tuition for family members **who were included** in question 20. (Tuition doesn't include room, board, books, transportation, etc.) **Don't include** tuition that you paid for yourself, tuition paid by scholarships, **or** any tuition paid for preschool or college.

34b. Write in the number of dependent children for whom the amount listed in 34a was paid in 1990. **Don't include** yourself or any person who was not included in question 20.

Section G: Your parents' assets

Don't leave any of these questions blank. If a question doesn't apply to you, write in "0."

You must give information about your parents' assets in Section G. If you are giving information for only one parent and that parent has jointly owned assets, give only that parent's portion of the assets and debts. If your parents have assets owned jointly with someone else, give only your parents' portion of the assets and debts.

In Section G, **don't include:**

- Personal or consumer loans, or any debts that are not related to the assets listed
- The value of retirement plans (pension funds, annuities, IRAs, Keogh Plans, etc.)
- Student financial aid

35. Check "Yes" if either of your parents (for whom you are providing information) meets **all** of the following descriptions for a displaced homemaker:

- your parent has not worked full-time in the labor force for a substantial number of years (e.g., approximately five years or more) but has, during those years, worked in the home providing unpaid services for family members; **and**
- your parent has been dependent on public assistance or on the income of another family member but is no longer receiving that income, or your parent is receiving public assistance because of dependent children in the home; **and**
- your parent is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.

"Unemployed" means not working this week but being available for work. To qualify, your parent must have made specific efforts to get a job sometime during the last four weeks.

"Underemployed" means working part-time even though your parent wants full-time employment. It refers to a condition where work is slack or only part-time work is available.

Check "No" if neither of your parents meets **all** the descriptions mentioned above.

36. Write in the age of the older parent for whom you gave information on this form.

38. **Home.** If your parents own a home, write in how much the home is worth. Use the price your parents could reasonably expect to receive for their home if it went on sale **today**. **Don't** use **assessed**, insured, or taxed value. A "home" includes a house, mobile home, condominium, etc. If your parents are renters, write in "0."

Then, write in how much your parents owe on the home, including the present mortgage and related debts on the home. *(Don't include interest due.)* Check with the mortgage company if you don't know.

39. **Other real estate and investments.** If your parents own other real estate *(including rental property, land, second or summer homes)* or have investments, write in how much they are worth **today**. Investments include trust funds, money market funds, mutual funds, certificates of deposit, stocks, bonds, other securities, installment and land sale contracts *(including mortgages held)*, commodities, precious and strategic metals, etc.

Then, write in how much your parents owe on other real estate and investments.

40. **Business and farm.** If your parents own a business and/or farm, write in how much the business and/or farm are worth **today**. Include the value of land, buildings, machinery, equipment, livestock, inventories, etc. Don't include the home. *(Home value and debt should be given in question 38.)*

Then, write in what your parents owe on the business and/or farm. Include only the present mortgage and related debts for which the business and/or farm were used as collateral.

If your parents are not the sole owners, write in only their share of the total value and debt.

Section G: Your (& your spouse's) assets

Don't leave any of these questions blank. If a question doesn't apply to you, write in "0."

You must give information about your (and your spouse's) assets in Section G. If you are divorced or separated and you and your spouse have jointly owned assets, give only your portion of the assets and debts. If you (and your spouse) have assets owned jointly with someone else, give only your (and your spouse's) portion of the assets and debts. Be sure to give information about assets held in trust for you (and your spouse).

In Section G, **don't include**:

- Personal or consumer loans, or any debts that are not related to the assets listed
- The value of retirement plans (pension funds, annuities, IRAs, Keogh Plans, etc.)
- Student financial aid

35. Check "Yes" if you or your spouse meets **all** of the following descriptions for a displaced homemaker:

- you or your spouse has not worked full-time in the labor force for a substantial number of years (e.g., approximately five years or more) but has, during those years, worked in the home providing unpaid services for family members; **and**
- you or your spouse has been dependent on public assistance or on the income of another family member, but is no longer receiving that income, or you or your spouse is receiving public assistance because of dependent children in the home; **and**
- you or your spouse is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.

"Unemployed" means not working this week but being available for work. To qualify, you or your spouse must have made specific efforts to get a job sometime during the last four weeks.

"Underemployed" means working part-time even though you want or your spouse wants full-time employment. It refers to a condition where work is slack or only part-time work is available.

Check "No" if neither you nor your spouse meets **all** of the descriptions mentioned above.

38. **Home.** If you (and/or your spouse) own a home, write in how much the home is worth. Use the price you could reasonably expect to receive for the home if it went on sale **today**. **Don't** use assessed, insured, or taxed value. A "home" includes a house, mobile home, condominium, etc. Renters, write in "0."

Then, write in how much you (and/or your spouse) owe on the home, including the present mortgage and related debts on the home. *(Don't include interest due.)* Check with the mortgage company if you don't know.

39. **Other real estate and investments.** If you (and/or your spouse) own other real estate *(including rental property, land, second or summer homes)* or have investments, write in how much they are worth **today**. Investments include trust funds, money market funds, mutual funds, certificates of deposit, stocks, bonds, other securities, installment and land sale contracts *(including mortgages held)*, commodities, precious and strategic metals, etc.

Then, write in how much you (and/or your spouse) owe on other real estate and investments.

40. **Business and farm.** If you (and/or your spouse) own a business and/or farm, write in how much they are worth **today**. Include the value of land, buildings, machinery, equipment, livestock, inventories, etc. Don't include the home. *(Home value and debt should be given in question 38.)*

Then, write in what you (and/or your spouse) owe on the business and/or farm. Include only the present mortgage and related debts for which the business and/or farm were used as collateral.

If you (and your spouse) are not the sole owners, write in only your (and your spouse's) share of the total value and debt.

Section H: Your 1991-92 veterans educational benefits per month *(for the student only)*

42. **Your veterans Dependents Educational Assistance Program benefits.**

42a. Write in the amount of veterans Dependents Educational Assistance Program (Chapter 35) benefits that you expect to get per month **from July 1, 1991 through June 30, 1992. Don't include** Death Pension, or Dependency & Indemnity Compensation (DIC).

42b. Write in the number of months **from July 1, 1991 through June 30, 1992** that you expect to get those benefits.

43. **Your Veterans Contributory Benefits (VEAP).**

43a. Write in the amount of Veterans Contributory Benefits (Chapter 32) **that you expect to get per month from July 1, 1991 through June 30, 1992.** *(Include both the Government and student portions.)* **Don't include** Death Pension, or Dependency & Indemnity Compensation (DIC).

43b. Write in the number of months **from July 1, 1991 through June 30, 1992** that you expect to get those benefits.

Section I: Your parents' expected 1991 taxable and nontaxable income and benefits

How to figure expected amounts

This section asks about income and benefits that your parents expect to get. If your parent is divorced, separated, or widowed, don't include information about the other parent. Answer these questions as accurately as you can. If a question doesn't apply, or your parents don't expect to get any income or benefits from that source, write in "0."

44. Check "Yes" if either of your parents (for whom you are providing information) is currently certified as a **"Dislocated Worker"** (see page 10) by the appropriate State agency.

If you checked "Yes," you may be asked to document your parent's status as a dislocated worker.

Check "No" if neither of your parents is certified as a dislocated worker. Skip to question 44 in the Student (& Spouse) column.

Important: See the table on page 5 for the kinds of income and taxes to leave out of Section I.

45. and **46. 1991 income earned from work.** Include wages, salaries, and tips. See **Important** note above.

47. **1991 other taxable income.** Write in the total amount of other taxable income that y ur parents will report on their 1991 IRS Form 1040, 1040A, or 1040EZ. Include interest and dividend income and any other taxable income. **Don't** include any unemployment compensation or any income that you reported in questions 45 and 46.

48. **1991 U.S. income tax to be paid.** Write in the amount of income taxes that your parents expect to pay in 1991. Make sure this amount doesn't include any FICA, self-employment, or other taxes.

49. **1991 nontaxable income and benefits.** These are the same types of income and benefits that were asked for in questions 28a, 28b, 28c, and 28d.

Section I: Your (& your spouse's) expected 1991 taxable and nontaxable income and benefits

How to figure expected amounts

This section asks about income and benefits that you (and your spouse) expect to get. If you are divorced, separated, or widowed, don't include information about your spouse. Answer these questions as accurately as you can. If a question doesn't apply to you, or if you don't expect to get any income or benefits from that source, write in "0."

44. Check "Yes" if you or your spouse is currently certified as a **"Dislocated Worker"** (see page 10) by the appropriate State agency.

If you checked "Yes," you may be asked to document your status (or that of your spouse) as a dislocated worker.

Check "No" if neither you nor your spouse is certified as a dislocated worker. Skip the rest of this section.

Important: See the table on page 6 for the kinds of income and taxes to leave out of Section I.

45. and **46. 1991 income earned from work.** Include wages, salaries, and tips. See **Important** note above.

47. **1991 other taxable income.** Write in the total amount of other taxable income that you (and your spouse) will report on your 1991 IRS Form 1040, 1040A, or 1040EZ. Include interest and dividend income and any other taxable income. **Don't** include any unemployment compensation or any income that you reported in questions 45 and 46.

48. **1991 U.S. income tax to be paid.** Write in the amount of income taxes that you and your spouse expect to pay in 1991. Make sure this amount doesn't include any FICA, self-employment, or other taxes.

49. **1991 nontaxable income and benefits.** These are the same types of income and benefits that were asked for in questions 28a, 28b, 28c, and 28d.

Sending In Your Form

Double-check your form to make sure it is complete and accurate. Be sure it has the necessary signatures.

Put the form in the envelope provided in this booklet. Don't send money. Don't put letters, tax forms, worksheets, or any extra materials in the envelope. **They will be destroyed.**

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Special Instructions/Definitions

Dislocated Worker - To be considered a dislocated worker, you must be currently certified as one by a State agency such as your local Employment Service or Job Service. This certification is done in accordance with Title III of the Job Training Partnership Act. A dislocated worker generally means a person who:

- has been terminated or laid-off or has received a notice of termination or lay-off,
- has been terminated or received a notice of termination as a result of permanent closure of a plant or other facility, or
- was self-employed (including farmers) but is now unemployed because of poor economic conditions in the community or a natural disaster.

Foreign Tax Return - If you and your spouse, or your parents, won't be filing a U.S. income tax return in 1990 (for example, Puerto Rican tax filers), follow the instructions below:

- In question 22, check the box "completed 1990 IRS Form 1040" (if a foreign tax return has been filed), or "estimated 1990 IRS Form 1040" (if a foreign tax return will be filed).
- use the information from that tax return to fill out this form,
- convert all figures to U.S. dollars, using the exchange rate that is in effect **today**, and
- fill out the Supplemental Information (Sections F-I).

Legal Guardian - A legal guardian is a person who a court has:

- appointed to be your legal guardian and this legal relationship will continue after June 30, 1992, **and**
- directed to support you with his or her own financial resources.

Native American - If you are a Native American, report the amount of income and assets over $2,000 per individual payment that you and your spouse or your parents received in 1990 from the Per Capita Act or the Distribution of Judgment Funds Act. If $2,000 or less per individual payment was received from either of these Acts, don't report it. Don't report funds received as an award under the Alaska Native Claims Settlement Act or the Maine Indian Claims Settlement Act. Also, don't report any assets received from the Alaska Native Claims Settlement Act.

Additional Information On The Federal Student Financial Aid Programs

How Long Does It Take To Complete This Application?

It takes approximately 40 minutes to one hour and 30 minutes to complete this application. This includes the time for reviewing the instructions and form, gathering and maintaining the necessary information and completing the form.

Send your comments regarding the time it takes to complete this form or any other aspects of the application including suggestions for reducing this burden to: U.S. Department of Education, Information Management and Compliance Division, Washington, D.C. 20202-4651; or to the Office of Management and Budget, Paperwork Reduction Project: 1840-0110, Washington, D.C. 20503.

Do All Schools Take Part In The Federal Student Financial Aid Programs?

No. More than 8,600 schools do take part in one or more of them. Contact your school's financial aid administrator to find out which Federal programs your school participates in.

Where Can I Get More Information On Federal Student Financial Aid?

This booklet gives you only a brief summary of the student financial aid programs offered by the U.S. Department of Education. Each student financial aid program has its own special features and procedures. You can get more information from the booklet: **The Student Guide: Financial Aid from the U.S. Department of Education - Grants, Loans, and Work-Study 1991-92.** To get a free copy, write to:

Federal Student Aid Information Center
P.O. Box 84
Washington, D.C. 20044

What Happens After I Mail In My Form?

Within four to six weeks after you mail in your form, the U.S. Department of Education will send you a **Student Aid Report** (SAR). On the SAR will be either a request for further information or numbers called a **Pell Grant Index** (PGI) and a **Family Contribution** (FC). We use formulas established by law to figure these numbers from the information you give us. Your school or the U.S. Department of Education may ask you to prove that the information you give on your application is true.

What Is My Pell Grant Index (PGI)?

The PGI is a number that tells whether you may be able to get a Pell Grant. If you are eligible for a Pell Grant, your school will use this number to determine the amount of your award. Even if you don't qualify for a Pell Grant, you may still qualify for one or more of the other Federal programs. Be sure to ask your financial aid administrator if your school needs any additional information from you for these other programs.

What Is My Family Contribution (FC)?

The FC is a number that helps your financial aid administrator determine if you are able to get one of the several available forms of assistance. These include Stafford Loan, SEOG, CWS, and Perkins Loan. Your school will use this number to determine the amount of your grant, loan or work-study award.

What Happens If I Don't Get A SAR Or I Need Another Copy Of My SAR?

If you don't get a SAR within four to six weeks, or you need another copy of your SAR, write to:

Federal Student Aid Programs
P.O. Box 6904
Princeton, NJ 08541

Give your name, address, social security number, and date of birth. Be sure to ask for another copy of your **1991-92 SAR**. If your address has changed since you sent in your application, be sure to give us both your old and your new address. Be sure to sign your letter.

What If My Situation Changes?

- Questions 11, 15, 18, 19, 20, and 21 ask you to make projections for the upcoming year. If your answers to these questions change, **wait** until you receive your SAR and then see your financial aid administrator.
- The income and expenses information that you give must be accurate. They must match what is or will be on your 1990 income tax forms. If your financial situation has recently changed, contact your financial aid administrator.

Worksheet #1

	For question 24 Parents	For question 24 Student/Spouse
Wages, salaries, tips, etc.	$_____.00	$_____.00
Interest income	+_____.00	+_____.00
Dividends	+_____.00	+_____.00
Other taxable income (alimony received, business and farm income, capital gains, pensions, annuities, rents, unemployment compensation, social security, Railroad Retirement, and all other taxable income—see the tables on pages 5 and 6 and the instructions for question 24)	+_____.00	+_____.00
Add all of the numbers in the column.	+_____.00	+_____.00
Subtract IRS-allowable adjustments to income (payments to IRA and Keogh Plans, interest penalty on early withdrawal of savings, and alimony paid).	-_____.00	-_____.00
TOTAL - This is your answer for question:	#24 $_____.00	#24 $_____.00

Worksheet #2

	For question 28d Parents	For question 28d Student/Spouse
Amounts from IRS tax forms		
Deductible IRA and/or Keogh payments from Form 1040 total of lines 24a, 24b, and 27 or 1040A line 15c	$_____.00	$_____.00
Earned income credit from Form 1040 line 57 or 1040A line 28c	+_____.00	+_____.00
Untaxed portions of pensions from Form 1040 line 16a minus 16b and 17a minus 17b or 1040A line 10a minus 10b and 11a minus 11b (excluding "rollovers")	+_____.00	+_____.00
Credit for Federal tax on special fuels from Form 1040 line 60	+_____.00	+_____.00
Foreign income exclusion from Form 2555 line 39	+_____.00	+_____.00
Tax exempt interest income from Form 1040 line 8b or 1040A line 8b	+_____.00	+_____.00
Other Untaxed Income and Benefits		
Payments to tax-deferred pension and savings plans (paid directly or withheld from earnings). Include untaxed portions of 401(k) and 403(b) plans.	+_____.00	+_____.00
Welfare benefits (except AFDC or ADC, which you should have reported in question 28b)	+_____.00	+_____.00
Workers' Compensation	+_____.00	+_____.00
Veterans noneducational benefits such as Death Pension, Dependency & Indemnity Compensation (DIC), etc.	+_____.00	+_____.00
Housing, food, and other living allowances (excluding rent subsidies for low-income housing) paid to members of the military, clergy, and others (including cash payments and cash value of benefits)	+_____.00	+_____.00
Cash support or any money paid on your behalf, including support from a non-custodial parent	XXXXXXXX	+_____.00
Any other untaxed income and benefits, such as Black Lung Benefits, Refugee Assistance, untaxed portions of Railroad Retirement Benefits, or Job Training Partnership Act noneducational benefits	+_____.00	+_____.00
TOTAL - This is your answer for question:	#28d $_____.00	#28d $_____.00

Don't include:

- Social security
- Any income reported elsewhere on the form
- Money from student financial aid
- Food stamps
- Gifts and support, other than money, received from friends or relatives
- Veterans educational benefits (GI Bill, Dependents Educational Assistance Program, VA Vocational Rehabilitation Program, VA Contributory Benefits, etc.)
- "Rollover" pensions

We urge you to keep these worksheets. Don't send them in with your application form. You may be asked to refer to them later to verify the information on your application. (It may also help you to show that your SAR is accurate.)

INFORMATION ON THE PRIVACY ACT AND USE OF YOUR SOCIAL SECURITY NUMBER

The Privacy Act of 1974 requires that each Federal agency that asks for your social security number or other information must tell you the following:

1. Its legal right to ask for the information and whether the law says you must give it.

2. What purpose the agency has in asking for it and how it will be used.

3. What could happen if you do not give it.

You must give your social security number (SSN) to apply for Federal student financial aid. The U.S. Department of Education's legal right under the Title IV programs to require that you provide us with your social security number is based on Sections 484(a)(4) of the Higher Education Act of 1965, as amended. The SSN is used under the Pell Grant, Supplemental Educational Opportunity Grant, and College Work-Study programs in recording information about your college attendance and progress, and in making sure that you have received your money. The SSN is also used under the Stafford Loan and Perkins Loan programs to identify the applicant to determine program eligibility and benefits and to permit servicing and collecting of the loans.

If you are applying for Federal student aid only, you must fill out everything except questions 29, 30, and 31. If you skip question 30 we will count your answer as "No" for both parts of that question. If you are applying for a Pell Grant only, you can skip question 5, 36 and 43.

The authority to request all other information (except the SSN) is based on sections 411A, 411B, 411C, 411D, 411F, 474, 475, 476, 477, 479, and 480 of the Higher Education Act of 1965, as amended. This information is used to determine the amount of Federal student aid for which you may be qualified.

The information which you supplied may be disclosed to third parties that the Department has authorized to assist in administering Federal student aid programs. This disclosure may include private firms that the Department contracts with for the purpose of collating, analyzing, totalling or refining records in the system and who are required to maintain safeguards under the Privacy Act. This may also be accomplished through computer matching programs such as the ones currently conducted with the Selective Service System and the Immigration and Naturalization Service.

We will provide your name, address, social security number, date of birth, student aid indices, student status, year in college, and State of legal residence to the college(s) that you list in question 29a, 29b, and 29c (or its representative), even if you check "No" in question 30b. This information will also go to the State agencies in your State of legal residence to help coordinate State financial aid programs with Federal student aid programs. We will provide calculations and determination of eligibility to the agency with which you filed a student aid application, or another similar agency, if you request us to do so. That agency may also release information received from the Department to colleges, State Scholarship agencies, and loan guarantee agencies that you have designated to receive information. Also, we may send information to members of Congress if you ask them to help you with Federal student aid questions. If your parents or your spouse provided information on the form they may also request to see all the information on the application.

If the Federal government, the Department, or an employee of the Department is involved in litigation, we may send information to the Department of Justice, or a court or adjudicative body, if the disclosure is related to financial aid and certain other conditions are met. The information may also be made available to Federal agencies which have the authority to subpoena other Federal agencies' records. In addition, we may send your information to a foreign, Federal, State, or local enforcement agency if the information that you submitted indicates a violation or potential violation of law, for which that agency has jurisdiction for investigation or prosecution. Finally, we may send information regarding a claim which is determined to be valid and overdue to a consumer reporting agency. This information includes identifiers from the record, the amount, status and history of the claim and the program under which the claims arose.

Remember, we must receive your application by May 1, 1992.

Application for Federal Student Aid

Section A: Yourself

1. Your name |_|_|_|

Section D: 1991 income, earnings, and benefits

19. Did you or will you complete the following 1991 U.S. income tax form?

	PARENTS (Check only one box.)	Everyone must fill out the Student (& Spouse) column below. STUDENT (& SPOUSE) (Check only one box.)
A	☐ IRS Form 1040 (Go to 21.)	☐ IRS Form 1040 (Go to 21.)
B	☐ IRS Form 1040EZ or 1040A (Go to 20.)	☐ IRS Form 1040EZ or 1040A (Go to 20.)
C	☐ not required to file a tax return (Go to 20.)	☐ not required to file a tax return (Go to 20.)

20. Do you receive Aid to Families with Dependent Children (AFDC or ADC)? ☐ Yes ☐ No

If you answered yes to question 20 and also checked either 19B or 19C, complete only Section E and mail the form. Otherwise, continue.

TAX FILERS ONLY

21. 1991 total number of exemptions (Form 1040-line 6e, or 1040A-line 6e; 1040EZ filers)	|_|_|	|_|_|
22. 1991 Adjusted Gross Income (AGI)-Form 1040-line 31, 1040A-line 16, or 1040EZ-line 3.	$_____ 00	$_____ 00

If your AGI is $10,000 or less skip to and complete only Section E and mail the form. Otherwise, continue.

23. 1991 U.S. income tax paid (Form 1040-line 47, 1040A-line 25, or 1040EZ-line 7)	$_____ 00	$_____ 00
24. 1991 income earned from work: Father	$_____ 00	
25. 1991 income earned from work: Mother	$_____ 00	
24. Student		$_____ 00
25. Spouse		$_____ 00

If the total of lines 24 and 25 is $10,000 or less skip to and complete only Section E and mail the form.

26. 1991 untaxed income and benefits (yearly totals only)

26a. Social security benefits	$_____ 00	
26b. Aid to Families with Dependent Children (AFDC or ADC)	$_____ 00	
26c. Child support received for all children	$_____ 00	$_____ 00
26d. Other untaxed income and benefits from worksheet #2 on page 13.	$_____ 00	$_____ 00

If your AGI (question 22) is $20,000 or less, or the total of lines 24 and 25 is less than $20,000, complete Section E and mail the form. Otherwise, continue.

Section E: Release and Certification

27. Are you in default on a Federal student loan, or do you owe a refund on a Federal student grant?

☐ default on a Federal loan ☐ owe refund on a Federal grant ☐ Both ☐ Neither

28. Check this box if you give Selective Service permission to register you ☐

29. **Read and sign**

Certification: All of the information on this form and the Supplemental Information page, if completed, is true and complete to the best of my knowledge. If asked by an authorized official, I agree to give proof of the information that I have given on this form and the Supplemental Information page, if completed. I realize that this proof may include a copy of my U.S., State, or local income tax return. I also realize that if I do not give proof when asked, the student may be denied aid. I authorize ED to send this information to my State agency.

1. Student _____ 3. Father (Stepfather) _____

2. Student's spouse _____ 4. Mother (Stepmother) _____

Date completed _____

FAF

FINANCIAL AID FORM

College Scholarship Service
The College Board

School Year 1991-92

Important — Read carefully before completing this form.

If you need financial aid, you will have to have financial information about yourself and your family sent to each college to which you apply as well as to certain federal and state aid programs. This **Financial Aid Form**, which is processed by the College Scholarship Service (CSS), permits you to apply for scholarships, grants, loans, and work-study awards from all possible sources — federal, state, institutional, and private. Check with the colleges you want to attend and with your state scholarship and grant programs to see if they need your **FAF** information.

If you are applying **only** for federal student financial aid, you may use this Financial Aid Form. You will not be charged any fees for processing your application if you complete only Sections A, I, **and** if you do not ask CSS to report your information directly to colleges or state scholarship and grant programs. If you choose this option, the U.S. Department of Education will make information available from Sections A, I to the colleges you list in question 29, at no charge to you. You will be considered for the following federal student financial aid programs: Pell Grants, Supplemental Educational Opportunity Grants (SEOG), College Work-Study (CWS), Perkins Loans, and Stafford Loans.

However, if you wish to apply for state, institutional, and/or private student aid, you may be required to fill out extra information in Sections J, R, and S, if applicable, of the FAF. If your college or state agency requires this information, you must pay a fee. Also, if you are applying for financial aid from colleges and states, and you want them to receive your FAF information, you must pay a fee. The amount of your processing fee is provided in question 78 of the FAF. Check with your college financial aid office or state agency to be sure that you understand its requirements.

WARNING: You must fill out this form accurately. **The information that you supply can be checked** by your college or by the U.S. Department of Education. You may be asked to provide U.S. income tax returns, the worksheets in this booklet, and other information. If you can't or don't provide these records, you may not get federal aid.

If you get federal student aid based on incorrect information, you will have to pay it back; you may also have to pay fines and fees. If you purposely give false or misleading information on your form, you may be subject to a fine of $10,000, receive a prison sentence, or both.

What is the Financial Aid Form?

The Financial Aid Form (FAF) is a form that you fill out if you want to apply for financial aid for the 1991-92 school year from:

- Colleges where you are thinking of going after high school or where you now go.
- State scholarship and grant programs.
- Federal student financial aid programs.

The FAF collects additional information not required for federal aid programs. Many colleges may require you to fill out all sections of the form to ensure that you are considered for all kinds of state and institutional aid. If there are special circumstances that you believe will affect your eligibility, you should contact the colleges. **Do not send letters, tax forms, or other materials with your FAF as they will be destroyed.**

The information you give on the FAF is confidential. Only the filer can authorize the release of the information on the FAF. (See statement under "Information on the Privacy Act and Use of Your Social Security Number" on page 6.) Your FAF information is kept on file for seven years after your form is processed.

After you complete the FAF, send it to the College Scholarship Service (CSS). CSS is the financial aid division of the College Board, a national, not-for-profit association of colleges, high schools, state agencies, and educational organizations. CSS will process your FAF and send information from it to the U.S. Department of Education if you mark "Yes" to question 30a. The Department will then send you a Student Aid Report (SAR) at no cost. (See page 6. Additional information on Federal Student Financial Aid Programs, for more information on your SAR.) CSS will also send your information to the colleges and programs that you list or authorize on your FAF in question 77. If you enclose the correct fee (see question 78), Each college or program then decides whether you will get financial aid and how much aid you will get. **CSS doesn't award financial aid.**

How do I apply for student financial aid from:

- ***Colleges?***

Check with the colleges you want to attend to see if they want CSS to send them your FAF information. If so, list them in question 77. Once your form is processed, you can ask CSS to send your information to additional colleges or programs. (See the instructions at the bottom right.) You should also check with your state scholarship or grant program to see if you should file a specific state version of the FAF. Some colleges may require you to fill out other forms as well.

- ***Federal student financial aid programs?***

You apply for federal student financial aid programs by marking "Yes" in question 30a.

How much does it cost to have CSS send FAF information to colleges and state scholarship and grant programs?

It costs **$8.75** for the first college and **$6.75** for each additional college you list in question 77. Don't send cash. Don't send the processing fee separately from your FAF. Make your check or money order out to the College Scholarship Service.

When should I fill out the FAF?

Fill out, sign, date, and mail the FAF after **January 1, 1991**. Any FAF received before January 1, 1991 will be returned to you unprocessed. If possible, you should send your FAF at least one month before the earliest deadline of the colleges and programs that you list in questions 29 and 77. Remember, that CSS can't establish or change deadlines. Colleges and programs establish them. At the very latest, CSS must receive your FAF by **May 1, 1992**.

Where do I send the FAF?

After you fill out the FAF, put it and the correct processing fee (if required) in the envelope that you'll find inside this booklet. Mail the envelope by **regular first-class mail** to the address below.

College Scholarship Service
P.O. Box 6300
Princeton, NJ 08541

Special handling such as registered, certified, or express mail will delay processing of your form.

Will CSS tell me when it has finished processing my FAF?

Yes. CSS (under contract to the U.S. Department of Education) will send you a Student Aid Report (SAR), if you pay the CSS processing fee. CSS will also send you an Acknowledgment. This information will be sent to the student's mailing address given in question 2 of the FAF and it should reach you within four to six weeks after you send your FAF to CSS. If you did not apply for federal student financial aid programs, CSS will send you only an Acknowledgment.

If you pay the processing fee, the Acknowledgment, which you will receive, will list the colleges and programs to which your FAF was sent. If you authorize more than eight colleges to get your FAF information, the first Acknowledgment will list only the first eight. A second Acknowledgment listing the additional colleges will be sent to you at a later date.

If you have questions about applying for federal student financial aid, you should wait until you receive your SAR. It will tell you how to get answers to your questions.

If you have questions after you receive your Acknowledgment, you can call the CSS Calls originating from the Eastern and Central time zones should be directed to 215-750-8400, and inquiries from the Mountain and Pacific time zones should be directed to 415-653-4242. The following telephone numbers have been designated Telephone Devices for the Deaf: 215-750-8009 and 415-420-1737. **On October 7, 1991, the 415 area code will change to 510.**

Normal business hours are 8:15 A.M.-4:00 P.M. for the 215 number (Eastern Time Zone) and the 415 number (Pacific Time Zone). The above numbers can be reached only during these periods.

Do not call these numbers if you have not paid the CSS processing fee. If you are applying only for federal student financial aid, CSS cannot answer any questions. You must contact the U.S. Department of Education.

What if I later want to send my FAF to another college or program?

The Acknowledgment has a section that you can send to CSS if you later want your FAF to go to another college or program. The section is called the Additional College Request (ACR) form. The fee for the ACR is **$8.75** for the first college or program you list and **$6.75** for each additional one. Approximately four weeks is required to process an ACR.

Note: Some colleges and programs may ask you to send a copy of your and/or your parents' income tax return to them. If so, send it directly to the college or program. If you don't give the income tax information that is asked for, you may not receive aid. **Don't send income tax or W-2 forms, letters, or other material with your FAF to CSS, as they will not be kept or sent to the colleges and programs.**

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FEDERAL STUDENT FINANCIAL AID PROGRAMS

You can use this form as the first step in applying for student financial aid offered by the U.S. Department of Education (U.S.E.D.). More than 8,600 schools take part in one or more of the federal programs. However, some schools do not take part in all of the programs. The information on this page will answer some of your questions about these programs. For more information on federal student financial aid programs, see "ADDITIONAL INFORMATION ON FEDERAL STUDENT FINANCIAL AID PROGRAMS" on page 8.

Who Can Get Aid from These Federal Student Financial Aid Programs

Eligibility Requirements	Pell Grants	Stafford Loans	Supplemental Educational Opportunity Grants (SEOG)	College Work-Study (CWS)	Perkins Loans
Undergraduate	Yes	Yes	Yes	Yes	Yes
Graduate	No	Yes	No	Yes	Yes
At least half-time	Yes	Yes	Yes*	Yes*	Yes*
Must pay back	No	Yes	No	No	Yes
Must be a U.S. citizen or eligible noncitizen	Yes	Yes	Yes	Yes	Yes
Must be registered with the Selective Service (if required)	Yes	Yes	Yes	Yes	Yes
Must have financial need	Yes	Yes	Yes	Yes	Yes
Must attend a participating school	Yes	Yes	Yes	Yes	Yes
Must be working toward a degree or certificate	Yes	Yes**	Yes	Yes	Yes
Must be making satisfactory academic progress	Yes	Yes	Yes	Yes	Yes
Must not be in default or owe a refund on a federal grant or educational loan	Yes	Yes	Yes	Yes	Yes
Having a bachelor's degree makes applicant ineligible	Yes	No	Yes	No	No
Conviction of drug distribution or possession may make student ineligible	Yes	Yes	Yes	Yes	Yes

* In some cases, students going to school less than half-time may be eligible. Check with your financial aid administrator.

** In some cases, students don't have to be in a degree or certificate program. Check with your financial aid administrator.

INSTRUCTIONS

Read the instructions as you fill out this form. Mistakes will delay the processing of your form. Some instructions appear on the form itself. Since those instructions are self-explanatory, no additional information is provided. Where additional information is necessary, you will find it in this instruction booklet. BEFORE YOU BEGIN TO FILL OUT THE FORM, TEAR IT OUT OF THE BOOKLET AND LAY IT ALONGSIDE THE INSTRUCTIONS SO THAT YOU CAN CHECK FOR ADDITIONAL INSTRUCTIONS AS YOU GO ALONG. The instructions for this form will usually answer questions that you have. If you need more help, see your high school guidance counselor or your college financial aid administrator.

Although other people (besides the student who is applying for aid) may help fill out this form, it is about the student. On this form, the words "you" and "your" always mean the student. The word "college" means a college, university, graduate or professional school, vocational or technical school, or any other school beyond high school. "Student financial aid" means money from educational loans, grants, and scholarships. It also means earnings from the College Work-Study program or other earnings you received based on your financial aid administrator's determination of your financial need.

Records you will need

Get together these records for yourself and your family.

- 1990 U.S. income tax return (IRS Form 1040, 1040A, or 1040EZ)
- 1990 state and local income tax returns
- W-2 forms and other records of money earned in 1990
- Records of untaxed income, such as welfare, social security, AFDC or ADC, or veterans benefits
- Current bank statements
- Current mortgage information
- Records of medical and dental bills that were paid in 1990
- Business and farm records
- Records of stocks, bonds, and other investments

Keep these records.

Won't file a tax return. Even if you and your spouse or your parents don't file an income tax return for 1990, you will need to know earnings for the year. You may also need records showing the amount of income you reported on this form.

Tax return not completed yet. If you, your spouse, and/or your parents haven't completed a 1990 U.S. income tax return but will be filing one, **it is recommended that you complete your tax return before filling out this FAF.** Knowing what will be on your tax return will help you to fill out the FAF accurately. When your FAF is compared with the official 1990 IRS Form 1040, 1040A, or 1040EZ that is filed by you and your family, the financial information must agree. If there are any errors, **you will have to correct the information and send it back to the U.S.E.D.** If this happens, it will take longer to determine whether you are eligible for federal student aid. It could mean a delay in getting student financial aid.

If you, your spouse, and/or your parents filed or will file a "**Foreign Tax Return**" or are a "**Native American**," see page 7.

How to Avoid Errors When Filling Out the FAF

Because the FAF is scanned by machine and then processed by computer, it must be neatly and accurately completed. Below are some suggestions for avoiding errors made by students and parents when completing the FAF. **These errors delay the processing of a student's FAF.**

- Use only a sharp No. 2 (soft-lead) black pencil. Don't use ballpoint pen, ink, colored pencil, crayon, or magic marker.
- Print clearly and neatly.
- Mark response boxes with an "X" in the center of the box, like this: X
- Write only in the response boxes or answer spaces. Don't write in the margins of the form or outside the answer boxes or spaces. Use Section P for explanations. Don't send letters, tax forms, or other materials with your FAF as they will be destroyed.
- If you make a mistake, use a clean pencil eraser only. Not an ink eraser. Erase completely and carefully—don't leave smudges or marks. Don't cross out or write over any entry.
- Don't use "whiter-than-white" or other correction fluid anywhere on the FAF.
- Don't use a photocopy of the FAF or a FAF that is torn, stained, or crumpled. A photocopy or damaged form can't be processed and will be returned to you.
- Don't staple anything to the FAF.
- Don't change, delete, or add to any questions, and don't cross out any section.
- Follow all instructions exactly. If your answer is zero, write "0." Leave questions or sections blank only if you are instructed to do so.
- Round all figures to the nearest dollar. Don't use cents. For 50 cents or more, round up; for 49 cents or less, round down.

Do Use	Don't Use
• a sharp No. 2 pencil	• ballpoint pen, ink, colored pencil, crayon, magic marker
• a clean pencil eraser	• "white out" or an ink eraser
• a clean FAF	• a torn, crumpled, stained FAF or a photocopy of the FAF

All students must fill in the **white** areas of the form. Also, fill in the areas outlined in **green and/or gray** as directed. There are two columns of questions in Sections D, G, and I. All students must complete the student column (right-hand column) in these sections. Parents should complete the parent column (left-hand column) outlined in green, as directed.

Section A — Student's Identification Information

Print in this section information about the student who is applying for aid.

2. Write in the address where you will be receiving mail. Mail, including the SAR and the Acknowledgment, will be sent to this address. Don't use the address of the financial aid office or any other office.

Use only the state/country abbreviations listed below. If your place of residence is not included, leave the state/country abbreviation blank and write in the name of your city and territory or country in the space for city.

Alabama	AL	Indiana	IN	New Jersey	NJ	Vermont	VT
Alaska	AK	Iowa	IA	New Mexico	NM	Virgin Islands	VI
American Samoa	AS	Kansas	KS	New York	NY	Virginia	VA
Arizona	AZ	Kentucky	KY	North Carolina	NC	Washington	WA
Arkansas	AR	Louisiana	LA	North Dakota	ND	West Virginia	WV
California	CA	Maine	ME	Ohio	OH	Wisconsin	WI
Colorado	CO	Maryland	MD	Oklahoma	OK	Wyoming	WY
Connecticut	CT	Massachusetts	MA	Oregon	OR		
Delaware	DE	Michigan	MI	Pennsylvania	PA	Canada	CN
District of Columbia	DC	Minnesota	MN	Puerto Rico	PR	Federated States of Micronesia	FM
Florida	FL	Mississippi	MS	Rhode Island	RI	Marshall Islands	MH
Georgia	GA	Missouri	MO	South Carolina	SC	Mexico	MX
Guam	GU	Montana	MT	South Dakota	SD	Northern Mariana Islands	MP
Hawaii	HI	Nebraska	NE	Tennessee	TN	Palau	PW
Idaho	ID	Nevada	NV	Texas	TX		
Illinois	IL	New Hampshire	NH	Utah	UT		

4. Write in the two-letter abbreviation of your current state/country of legal residence. Use the state/country abbreviations list above.

6. Write in your birth date. For example, if you were born July 5, 1972, write: 07 (Month) 05 (Day) 72 (Year)

7. If you are a U.S. citizen (or a U.S. national), mark box "1" and go to question 8.

Mark box "2" and write in your eight or nine-digit Alien Registration Number if you are one of the following:

- U.S. permanent resident and you have an Alien Registration Receipt Card (I-151 or I-551).
- Other eligible noncitizen with a Departure Record (I-94) from the U.S. Immigration and Naturalization Service showing any one of the following designations: (a) "Refugee," or (b) "Asylum Granted," or (c) "Indefinite Parole" and/or "Humanitarian Parole," or (d) "Cuban-Haitian Entrant."
- Other eligible noncitizen with a temporary residency card (I-688).

If you are a citizen of the Marshall Islands, Federated States of Micronesia, or Palau, see your financial aid administrator.

If you cannot mark box "1" or "2," you must mark box "3." If you are in the U.S. on only an F1 or F2 student visa, only a J1 or J2 exchange visitor visa, or only a G series visa (pertaining to international organizations), you must mark box "3."

9. Mark your year in college from July 1, 1991 to June 30, 1992.

10. Mark "No" if you don't have a bachelor's degree and you won't have one by July 1, 1991.

Mark "Yes" if you already have a bachelor's degree or will have one by July 1, 1991. Also mark "Yes" if you have or will have a degree from a university in another country that is equal to a bachelor's degree.

Section B — Student Status

Answer all of question 11. A blank counts as "No."

11a. Mark the correct box. See your answer to question 6.

11b. Mark "Yes" if you are a veteran of active service in the U.S. Army, Navy, Air Force, Marines, or Coast Guard. Also mark "Yes" if you are not a veteran now but will be one by June 30, 1992. Mark "No" if you are or were:

- never in the U.S. Armed Forces;
- only an ROTC student;
- only a cadet or midshipman at one of the service academies;
- only a National Guard or Reserves enlistee; or
- currently serving in the U.S. Armed Forces, and will continue to serve through June 30, 1992.

11c. Mark "Yes" if (1) both your parents are dead and you don't have an adoptive parent or **legal guardian** or (2) if you are currently a ward of the court. (For a definition of **"Legal Guardian,"** see page 7.) Otherwise, mark "No."

11d. Mark "Yes" if you have any children who get more than half their support from you. Also mark "Yes" if other people live with you and get more than half their support from you, and will continue to get that support during the 1991-92 school year. Don't include your spouse. Otherwise, mark "No."

"Parents" in questions 12, 14a, 14b, 14c, 14d, 14e, and 15 means your mother and/or father, or your adoptive parents, or legal guardian. "Parents" does not mean foster parents and, for this section, it does not mean stepparents. Later the instructions will tell you, if you should supply information about your stepparent.

Unmarried Undergraduate Students Only

12. If your parents claimed you as an exemption on their 1989 income tax return and/or will do so on their 1990 income tax return, you must mark "Yes." If your parents are divorced or separated, mark "Yes" if either of your parents claimed you as an exemption in 1989 and/or will do so on their 1990 income tax return. Otherwise, mark "No."

13. Mark the box that best describes when you first received federal student aid **beginning with the 1987-88 school year** (July 1, 1987 - June 30, 1988). Mark only one box.

Federal student aid includes

- Pell Grant;
- Stafford Loan/Guaranteed Student Loan (GSL), including Supplemental Loans for Students (SLS);
- Supplemental Educational Opportunity Grant (SEOG);
- College Work-Study (CWS);
- Perkins Loan/National Direct Student Loan (NDSL); **or**
- State Student Incentive Grant (SSIG). These grants often have other names such as Student Incentive Grants, Incentive Grants, Tuition Grants, etc.

Below are some examples to help you answer question 13.

Example #1 — Buck Bundy received federal student aid in the 1986-87 and 1987-88 school years. Therefore, Buck should mark box "1." Even if Buck had received federal student aid in the 1985-86 and 1987-88 school years, he should still mark box "1" because the first school year (beginning with 1987-88) in which he received federal student aid was 1987-88.

Example #2 — Jeff Akbar **first** received federal student aid in the 1988-89 school year. Therefore, Jeff should mark box "2."

Example #3 — Wu, Lin **first** received federal student aid in the 1989-90 school year. Therefore, Wu, should mark box "3."

Example #4 — Kate Murphy **first** received federal student aid in the 1990-91 school year. Therefore, Kate should mark box "4."

Example #5 — Vickie Tingley received federal student aid in the 1986-87 school year and has not received federal student aid since then. Therefore Vickie should mark box "5."

Example #6 — Joaquin Rodriguez has never received federal student aid. Therefore, Joaquin should mark box "5."

14a.-14e. When figuring your resources for question 14a, 14b, 14c, 14d, or 14e, be sure to include:

- wages, salaries, tips, etc.;
- interest income and dividend income;
- any student financial aid (except PLUS loans);
- personal long-term cash loans used for educational purposes; and
- any other income and benefits (such as veterans cash benefits, welfare, SSI, etc.).

Don't include any resources such as money that you earned from your parents or gifts that you received from them.

Married Students or Graduate/Professional Students Only

15. If your parents will claim you on their 1991 income tax return, you must mark "Yes."

You must see your financial aid administrator before completing the rest of this form if:

- you answered "No" to all parts of question 11 but after answering question 12, 14a, 14b, 14c, 14d, 14e, or 15 you are told to fill in the gray and white areas; **and**
- you were not required to provide parental information in 1990-91; **and**
- you were claimed by any person other than your spouse as a tax exemption in 1990.

Important Instructions for Sections C, D, E, F, G, I, M, and N

Green area — parents' information

Read the descriptions below. Choose the one that is true for you and follow the instructions.

☐ **Your parents are both living and married to each other.** Answer the questions on the rest of the form about them.

☐ **You have a legal guardian.** Answer the questions on the rest of the form about your **"Legal Guardian."** For a definition of "Legal Guardian" see page 7.

☐ **Your parents have divorced or separated.** Answer the questions on the rest of the form about the parent you lived with most in the last 12 months. For example, if you lived with your mother most, answer the questions about her and not about your father. If you did not live with one parent more than with the other in the last 12 months, answer in terms of the parent who provided the most financial support during that time. If neither parent provided greater financial support during the last 12 months, answer in terms of the parent who provided the greater support during the most recent calendar year. (Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, payment of college costs, etc.)

☐ **Your parent is widowed or single.** Answer the questions on the rest of the form about your widowed or single parent.

If you have a stepparent: If the parent that you counted above has married or remarried, you must also include information about your stepparent (even if they were not married in 1990).

If you are reporting information about your stepparent, note that whenever the word "parents" is used on the rest of this form, it also means your stepparent.

Section C — Household Information

Parents' information — green area

16. Mark the current marital status of the people that you give information for on this form. For example, if you give information about your mother and stepfather, mark the box that says "married," because your mother and stepfather are married.

17. Write in the two-letter abbreviation for your parents' current state/country of legal residence. Use only state/country abbreviations given under the instruction for question 2.

18. Write in the number of people that your parents will support between July 1, 1991 and June 30, 1992. Always include your parents and yourself. Include your parents' other children if they get more than half their support from your parents. Also include them if they would be required to provide parental information when applying for federal student aid for the 1991-92 school year. Include other people only if they now live with and get more than half their support from your parents and will continue to get this support between July 1, 1991 and June 30, 1992. (Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, payment of college costs, etc.)

19. Write in the number of people from question 18, including yourself, who will be going to college between July 1, 1991 and June 30, 1992. Include only students enrolling for at least 6 credit hours per term. If the school uses clock hours, include only students attending at least 12 clock hours per week.

Gray area — student's (& spouse's) information

Fill out this section with information about yourself (and your spouse). If you are divorced, separated, or widowed, don't include information about your spouse. Although you must always **fill in** the areas outlined in gray and the white areas, you may also have to **fill in** the green areas if a college or program tells you to.

Student's (& spouse's) information — gray area

20. Write in the number of people that you will support between July 1, 1991 and June 30, 1992. Include yourself and your spouse. Include your children if they get more than half their support from you. Include other people only if they meet the following criteria:

- they now live with you; **and**
- they now get more than half their support from you, and will continue to get this support between July 1, 1991 and June 30, 1992.

21. Write in the number of people from question 20, including yourself, who will be going to college between July 1, 1991 and June 30, 1992. Include only students enrolling for at least 6 credit hours per term. If the school uses clock hours, include only students attending at least 12 clock hours per week.

3 6/04

Section D — Parents' 1990 Income, Earnings, and Benefits

If the instructions tell you to skip a question, leave it blank. If your answer to any other question is "none" or "zero," put a zero in the answer space. $ 0 .00
Don't leave it blank or don't use dashes. For example:

If your parents filed or will file a "Foreign Tax Return" or a Puerto Rican tax return, see page 7.

22. U.S. income tax figures for 1990

From a completed return. Mark box "1" or "2" to indicate which IRS form was filed. Use the tax return to answer questions 23-28.

Estimated. Mark box "3" or "4" if your parents have not yet filed but will file a 1990 U.S. income tax return. Use their financial records to answer questions 23-28. For these questions, you must write in the figures that will be on the tax return. Filing out a 1990 U.S. income tax return will help you answer these questions.

A tax return will not be filed. Mark box "5" if your parents will not file a 1990 U.S. income tax return. Don't answer questions 23-25. Skip to question 26.

If you are giving information for only one parent and that parent filed (or will file) a joint tax return for 1990, give only that parent's portion of the exemptions and income asked for in questions 23-28. If your parents are married and they filed (or will file) separate tax returns for 1990, be sure to include both parents' exemptions and income in questions 23-28.

23. Total number of exemptions for 1990

Write in the number from Form 1040, line 6e, or 1040A, line 6e. If your parent used the 1040EZ and marked "Yes" in question 4 of that form, write in "00." Otherwise, write in "01."

Important: See the table below for **some** of the types of student financial aid that you should **exclude** from income and taxes in questions 24-28.

Student Financial Aid	Exclude if based on need	Exclude if not based on need
Gifts, Scholarships, or Fellowships	Yes	Yes
Earnings from a work program, including Assistantships	Yes	No
Loans	Yes	Yes

24. Adjusted Gross Income (AGI) for 1990

Don't include any income or capital gains from the sale of a business or farm if the sale resulted from a voluntary or involuntary foreclosure, forfeiture, involuntary liquidation, or bankruptcy.

Use Worksheet I on page 6 to answer question 24. If you can't get a 1990 U.S. tax form but will be filing one:

25. U.S. income tax paid for 1990

Make sure this amount doesn't include any FICA, self-employment, or other taxes. Don't copy the amount of "federal income tax withheld" from a W-2 form.

26.-26. Income earned from work in 1990

27. **If you skipped questions 23-25,** include your parents' earnings from work in 1990. Add up the earnings from your parents' W-2 forms and any other earnings from work that are not included on the W-2 forms.

If you answered questions 23-25, include the "wages, salaries, tips, etc." from your parents' Form 1040, line 7; 1040A, line 7; or 1040EZ, line 1. If your parents filed a joint return, report your father's and mother's earnings separately. If your parents own a business or farm, also add in the amounts from Form 1040, lines 12 and 18.

28a.-28d. Untaxed income and benefits for 1990

28a. Social security benefits for 1990

Write in the amount of untaxed social security benefits, including Supplemental Security Income, that your parents got in 1990. Don't include any benefits reported in question 24. Don't give monthly amounts; write in the total for 1990. Be sure to include the amounts that your parents got for you and their other children.

28b. Aid to Families with Dependent Children (AFDC or ADC) for 1990

Don't give monthly amounts; write in the total for 1990. Don't report social security benefits here.

28c. Child support received for all children for 1990

Include the student. Don't report monthly amounts; write in the total for 1990.

28d. Other untaxed income and benefits for 1990

Add up your parents' other untaxed income and benefits for 1990. Use Worksheet II on page 6. Be sure to include your parents' earned income credit and deductible IRA/Keogh payments, if any.

Section D — Student's (& Spouse's) 1990 Income, Earnings, and Benefits

Everyone must answer the questions in the Student (and Spouse) columns in Section D.

If you are married, include your spouse's information in Section D.

If the instructions tell you to skip a question, leave it blank. If your answer to any other question is "none" or "zero," put a zero in the answer space. $ 0 .00
Don't leave it blank, don't use dashes. For example:

If you or your spouse filed or will file a "Foreign Tax Return" or a Puerto Rican tax return, see page 7.

22. U.S. income tax figures for 1990

From a completed return. Mark box "1" or "2" to indicate which IRS form was filed. Use this tax return to answer questions 23-28.

Estimated. Mark box "3" or "4" if you (and your spouse) have not yet filed but will file a 1990 U.S. income tax return. Use your financial records to answer questions 23-28. For these questions, you must write in the figures that will be on the tax return. Filing out a 1990 U.S. income tax return will help you answer these questions.

A tax return will not be filed. Mark box "5" if you (and your spouse) will not file a 1990 U.S. income tax return. Don't answer questions 23-25. Skip to question 26.

If you are divorced, separated, or widowed and you filed (or will file) a joint tax return for 1990, give only your portion of the exemptions and income asked for in questions 23-28. If you are married and you and your spouse filed (or will file) separate tax returns for 1990, be sure to include both your and your spouse's exemptions and income in questions 23-28, even if you were not married in 1990.

23. Total number of exemptions for 1990

Write in the number from Form 1040, line 6e, or 1040A, line 6e. If you used the 1040EZ and you marked "Yes" in question 4 of that form, write in "00." Otherwise, write in "01."

Important: See the table below for **some** of the types of student financial aid that you should **exclude** from income and taxes in questions 24-28.

Student Financial Aid	Exclude if based on need	Exclude if not based on need
Grants, Scholarships, or Fellowships	Yes	Yes
Earnings from a work program, including Assistantships	Yes	No
Loans	Yes	Yes

24. Adjusted Gross Income (AGI) for 1990

Don't include any income or capital gains from the sale of a business or farm if the sale resulted from a voluntary or involuntary foreclosure, forfeiture, involuntary liquidation, or bankruptcy.

Use Worksheet I on page 6 to answer question 24. If you can't get a 1990 U.S. tax form but will be filing one:

25. U.S. income tax paid for 1990

Make sure this amount doesn't include any FICA, self-employment, or other taxes. Don't copy the amount of "federal income tax withheld" from a W-2 form.

26.-26. Income earned from work in 1990

27. Don't leave blank. Write in "0" if you or your spouse didn't have any earned income. Also write in "0" in question 27 if you are not married.

If you skipped questions 23-25, include your (and your spouse's) earnings from work in 1990. Add up the earnings from your (and your spouse's) W-2 forms and any other earnings from work that are not included on the W-2 forms.

If you answered questions 23-25, include the "wages, salaries, tips, etc." from your (and your spouse's) Form 1040, line 7; 1040A, line 7; or 1040EZ, line 1. If you and your spouse filed a joint return, report your (and your spouse's) earnings separately. If you and/or your spouse own a business or farm, also add in the amounts from Form 1040, lines 12 and 18.

28a.-28d. Untaxed income and benefits for 1990

Don't include benefits reported in questions 26a, 26b, 26c, or 26d of the parent column here.

28a. Social security benefits for 1990

Write in the amount of untaxed social security benefits, including Supplemental Security Income, that you (and your spouse) got in 1990. Don't include any benefits reported in question 24. Don't give monthly amounts; write in the total for 1990. Be sure to include the amounts that you got for your children.

28b. Aid to Families with Dependent Children (AFDC or ADC) for 1990

Don't give monthly amounts; write in the total for 1990. Don't report social security benefits here.

28c. Child support received for all children for 1990

Don't report monthly amounts; write in the total for 1990.

28d. Other untaxed income and benefits for 1990

Add up your (and your spouse's) other untaxed income and benefits for 1990. Use Worksheet II on page 6. Be sure to include your (and your spouse's) earned income credit and deductible IRA/Keogh payments, if any.

Section E — Federal Student Aid Releases and Certification

29. Write in the **complete** name, city, state, and CSS code number of the college that you will **most** likely be going to during the 1991-92 school year. If you are applying **only** for federal student financial aid, the U.S. Department of Education will make information available from Sections A-D to the colleges you list in question 77. If you write in the name, address, and CSS code number of your first choice college in 29b, write in the name, address, and CSS code number of your second choice college in 29c, write in the name, address, and CSS code number of your third choice college. If you don't know yet which colleges you are most interested in, you may leave this question blank. Use the CSS code list for college codes. **You must also list these same colleges in question 77.** If you wish CSS to report your information to them directly, a fee is required.

30a. Mark "Yes" if you want CSS to send information from your FAF to the U.S. Department of Education so that you can be considered for a Pell Grant and other federal student financial aid. Mark "No" if you don't want to be considered for such aid. If you mark "No," you will not receive a SAR. **If you leave the answer to this question blank, it will be counted as "Yes."**

30b. Mark "Yes" to either part of question 30b if you give the U.S. Department of Education permission to send information from this form to the financial aid agencies in your state and/or the college(s) (or their representatives) in question 29. Mark "No" if you don't want your information sent. Some state agencies and colleges may use this information to help decide whether you will get an award and to see if you reported correct information. Also, they may use it to help in the processing of your application for a Stafford Loan. **If you are eligible**

The U.S. Department of Education will provide your name, address, social security number, date of birth, Pell Grant Index (PGI), Family Contribution (FC), student status, year in college, and state of legal residence to the college(s) that you listed in question 29 (or their representatives), even if you mark "No" to the "college(s)" part of the question. This information will also go to the state agencies in your state of legal residence to help coordinate state financial aid programs with federal student financial aid programs, even if you mark "No" to the "state agencies" part of the question. However, no additional information such as income information will be sent if you mark "No" to either part of question 30b.

State agencies and colleges that use CSS' reporting and analyses services require that CSS information be sent directly to them. Generally you must complete Sections J through R, and S, if applicable, of the FAF and request that CSS send your information to the state agency and colleges. See questions 77 and 78.

31. Selective Service registration

In order to receive federal student aid, you must be registered with Selective Service if you are a male who is at least 18 years old and born after December 31, 1959.

Mark the box only if you

- are 18 through 25 years of age, **and**
- have not yet registered with Selective Service, **and**
- give Selective Service permission to register you.

If you believe that you are not required to be registered, call the Selective Service at 1-800-621-3368 for information regarding exemptions.

Note: If you wish to register with Selective Service using this form, you must give permission for CSS to send your FAF information to the U.S. Department of Education. You can do this by marking "Yes" in question 30a.

32. Certification. You must sign this form. If you don't sign this form, it will be returned unprocessed. If you are married, your spouse must sign this form. If you filled in the green areas, at least one of your parents must also sign this form. **Everyone signing this form is certifying that all the information on the form is correct and that everyone is willing to give documents to prove that the information is correct.** Such documents may include U.S. state or local income tax returns.

Don't complete, sign, or date the form before January 1, 1991. Any FAF dated or received before January 1, 1991, will be returned unprocessed.

Important:

- If you are applying for institutional or state aid as well as federal aid, you may be required to complete all the remaining sections of this form. **A fee is required (see question 76).** Check with your financial aid administrator. Be sure to sign the Certification at question 32.

OR

- If you are applying only for federal aid, complete Worksheet A or B below to see if you need to fill out Sections F through I. Although not required for federal programs, your college may ask that you complete Sections J through R, and S if applicable. The processing of this additional information requires a fee. Be sure to sign the Certification at question 32. If you want CSS to send information to colleges, you must list them at question 77 and pay the correct fee.

WORKSHEET A

If you are filing out the green and white areas, you will need to refer to Section D to complete Worksheet A below. The worksheet will tell you whether you must fill out the supplemental information (Sections F through I).

WORKSHEET A FOR THE SIMPLIFIED NEEDS TEST

1. Did or will you (or your spouse) **or** your parents file a 1990 IRS Form 1040? (Does not include 1040A or 1040EZ.)
   ☐ Yes (Fill out Sections F through I.) ☐ No (Fill out the rest of this worksheet.)

Mark "Yes" if a foreign or Puerto Rican tax return was or will be filed.

Income from	Parents Column A	Student/Spouse Column B
2a. Question 24	$ .00	$ .00
OR		
2b. Questions 26 and 27 (Use only if you left question 24 blank.)	$ .00	$ .00
3. Write in the total of column A and column B entries from Question 2.	$ .00	

If the total from 3 is **$15,000 or less**, mail the form to CSS. If you want CSS to report your information to your state agency and to college, follow the instructions at question 77. You do not have to fill out Sections F through I unless you, your spouse, or at least one of your parents is a dislocated worker or your school or state asks you to.

If the total from 3 is **$15,001 or more**, you **must** fill out Sections F through I. Then mail the form to CSS. If you want CSS to report your information to your state agency and to colleges, follow the instructions at question 77. **If you are applying for state or institutional aid, you may be required to complete the rest of the FAF. Check with your financial aid administrator.**

WORKSHEET B

If you are filing out the gray and white areas, you will need to refer to Section D to complete Worksheet B below. The worksheet will tell you whether you must fill out Sections F through I.

WORKSHEET B FOR THE SIMPLIFIED NEEDS TEST

1. Did or will you (or your spouse) file a 1990 IRS Form 1040? (Does not include 1040A or 1040EZ.)
   ☐ Yes (Fill out Sections F through I.) ☐ No (Fill out the rest of this worksheet.)

Mark "Yes" if a foreign or Puerto Rican tax return was or will be filed.

Income from	Student/Spouse
2a. Question 24	$ .00
OR	
2b. Questions 26 and 27 (Use only if you left question 24 blank.)	$ .00

If the answer from either Question 2a or 2b is **$15,000 or less**, mail the form to CSS. If you want CSS to report your information to your state agency and to colleges, follow the instructions at question 77. You do not have to fill out Sections F through I unless you are or your spouse is a dislocated worker or your school or state asks you to.

If the answer from either Question 2a or 2b is **$15,001 or more**, you **must** fill out Sections F through I. Then mail the form to CSS. If you want CSS to report your information to your state agency and to colleges, follow the instructions at question 77. **If you are applying for state or institutional aid, you may be required to complete the rest of the FAF. Check with your financial aid administrator.**

Section F — Parents' 1990 Expenses

Don't leave any of these questions blank. If a question doesn't apply to your parents, write in "0."

33. Medical and dental expenses in 1990 not paid by insurance

Write in the amount of money that your parents **paid** in 1990 for medical and dental expenses (include insurance premiums). **Don't include** amounts covered by insurance or self-employed health deductions from Form 1040, line 28. If your parents itemized deductions on their 1990 U.S. income tax return, write in the amount from Form 1040, Schedule A, line 1.

34a. Elementary, junior high, and high school tuition paid in 1990

Write in the amount of money that your parents **paid** in 1990 for elementary, junior high, and high school tuition for family members who were included in question 18. (Tuition doesn't include room, board, books, transportation, etc.) **Don't include** tuition paid by scholarships. Also, don't include any tuition that your parents paid for you or any tuition for preschool or college.

34b. Write in the number of dependent children for whom the amount listed in 34a was paid in 1990. Don't include yourself, the student, or any person who was not included in question 18.

Section F — Student's (& Spouse's) 1990 Expenses

Don't leave any of these questions blank. If a question doesn't apply to you, write in "0."

33. Medical and dental expenses in 1990 not paid by insurance

Write in the amount of money that you (and your spouse) **paid** in 1990 for medical and dental expenses (include insurance premiums). **Don't include** amounts covered by insurance or self-employed health deductions from Form 1040, line 28. If you (and your spouse) itemized deductions on your 1990 U.S. income tax return, write in the amount from Form 1040, Schedule A, line 1.

34a. Elementary, junior high, and high school tuition paid in 1990

Write in the amount of money that you (and your spouse) **paid** in 1990 for elementary, junior high, and high school tuition for family members who were included in question 20. (Tuition doesn't include room, board, books, transportation, etc.) **Don't include** tuition paid by scholarships. Also, don't include any tuition that you paid for yourself or any tuition for preschool or college.

34b. Write in the number of dependent children for whom the amount listed in 34a was paid in 1990. **Don't include** yourself or any person who was not included in question 20.

Section G — Parents' Asset Information

35. Mark "Yes" if either of your parents (for whom you are providing information) meets all the following descriptions for a displaced homemaker.

- your parent has not worked full time in the labor force for a substantial number of years (e.g., approximately five years or more) but has during those years worked in the home providing unpaid services for family members, **and**
- your parent has been dependent on public assistance or on the income of another family member but is no longer receiving that income, or your parent is receiving public assistance because of dependent children in the home, **and**
- your parent is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.

"Unemployed" means not working this week but being available for work. To qualify, your parent must have made specific efforts to get a job sometime during the last four weeks.

"Underemployed" means working part time even though your parent wants full time employment. It refers to a condition where work is slack or only part time work is available.

Mark "No" if neither of your parents meets all the descriptions mentioned above.

36. Write in the age of your older parent for whom you gave information on this form.

Don't leave any of these questions blank. If a question doesn't apply to your parents, write in "0."

You must give information about your parents' assets in questions 37-41. If you are giving information for only one parent and that parent has jointly owned assets, give only that parent's portion of the assets and debts. If your parents have assets jointly with someone else, give only your parents' portion of the assets and debts.

5 4 c 6

5 1 7

In questions 37-41, don't include:

- personal or consumer loans, or any debts that are not related to the assets listed
- the value of retirement plans (pension funds, annuities, IRAs, Keogh plans, etc.)
- student financial aid

37. Home

If you (and/or your spouse) own a home, write in how much the home is worth. Use the price you could reasonably expect to receive for the home if it went on sale today. Don't use assessed, insured, or taxed value. A "home" includes a house, mobile home, condominium, etc. Renters write in "0."

Then write in how much is owed on the home including the present mortgage and related debts on the home. (Don't include interest due.) Check with the mortgage company if you don't know.

38. Other real estate and investments

If your parents own other real estate (including rental property, land, second or summer homes) or have investments, write in how much they are worth today. Investments include trust funds, money market funds, mutual funds, certificates of deposit, stocks, bonds, other securities, installment and land sale contracts (including mortgages held), commodities, precious and strategic metals, etc.

40. Business and farm

If your parents own a business and/or farm, write in how much they are worth today. Include the value of land, buildings, machinery, equipment, livestock, inventories, etc. Don't include the home. (Home value and debt should be given in question 38.)

Then write in what is owed on the business and/or farm. Include only the present mortgage and related debts for which the business and/or farm were used as collateral.

If your parents are not the sole owners, write in only their share of the total value and debt.

Section G — Student's (& Spouse's) Asset Information

35. Mark "Yes" if you (or your spouse) meet all the following descriptions for a displaced homemaker:

- you (or your spouse) have not worked full-time in the labor force for a substantial number of years (e.g., approximately five years or more) but have during those years worked in the home providing unpaid services for family members; and
- you (or your spouse) have been dependent on public assistance or on the income of another family member but are no longer receiving that income, or you (or your spouse) are receiving public assistance because of dependent children in the home; and
- you (or your spouse) are unemployed or underemployed and are experiencing difficulty in obtaining or upgrading employment.

"Unemployed" means not working this week but being available for work. To qualify, you (or your spouse) must have made specific efforts to get a job sometime during the last four weeks.

"Underemployed" means working part-time even though you want or your spouse wants full-time employment. It refers to a condition where work is slack or only part-time work is available.

Mark "No" if neither you nor your spouse meets all the descriptions mentioned above.

Don't leave any of these questions blank. If a question doesn't apply to you, write in "0."

You must give information about your (and your spouse's) assets in questions 37-41. If you are divorced or separated and you have jointly owned assets, or if you (and your spouse) have assets owned jointly with someone else, give only your (and your spouse's) portion of the assets and debts. Be sure to give information about assets held in trust for you (and your spouse).

In questions 37-41, don't include:

- personal or consumer loans, or any debts that are not related to the assets listed
- the value of retirement plans (pension funds, annuities, IRAs, Keogh plans, etc.)
- student financial aid

37. Home

If you (and/or your spouse) own a home, write in how much the home is worth. Use the price you could reasonably expect to receive for the home if it went on sale today. Don't use assessed, insured, or taxed value. A "home" includes a house, mobile home, condominium, etc. Renters write in "0."

Then write in how much is owed on the home including the present mortgage and related debts on the home. (Don't include interest due.) Check with the mortgage com- pany if you don't know.

39. Other real estate and investments

If you (and/or your spouse) own other real estate (including rental property, land, second or summer homes) or have investments, write in how much they are worth today. Investments include trust funds, money market funds, mutual funds, certificates of deposit, stocks, bonds, other securities, installment and land sale contracts (including mortgages held), commodities, precious and strategic metals, etc.

40. Business and farm

If you (and/or your spouse) own a business and/or farm, write in how much they are worth today. Include the value of land, buildings, machinery, equipment, livestock, inventories, etc. Don't include the home. (Home value and debt should be given in question 38.)

Then write in what is owed on the business and/or farm. Include only the present mortgage and related debts, for which the business and/or farm were used as collateral.

If you (and your spouse) are not the sole owners, write in only your (and your spouse's) share of the total value and debt.

Section H — Student's Veterans 1991-93 Educational Benefits

42a.-42b. Your Veterans Dependents Educational Assistance Program Benefits

42a. Write in the amount of Veterans Dependents Educational Assistance Program (Chapter 35) benefits that you expect to get per month from July 1, 1991 through June 30, 1992. (Don't include Death Pension or Dependency & Indemnity Compensation (DIC).

42b. Write in the number of months from July 1, 1991 through June 30, 1992 that you expect to get these benefits.

42c.-42b. Your Veterans Contributory Benefits (VEAP)

42c. Write in the amount of Veterans Contributory Benefits (Chapter 32) that you expect to get per month from July 1, 1991 through June 30, 1992. (Include both the government and student portions.) Don't include Death Pension or Dependency & Indemnity Compensation (DIC).

42b. Write in the number of months from July 1, 1991 through June 30, 1992 that you expect to get these benefits.

Section I — Parents' Expected 1991 Taxable & Nontaxable Income & Benefits

44. Mark "Yes" if either of your parents (for whom you are providing information) is currently certified as a "Dislocated Worker" (see page 7) by the appropriate state agency.

If you marked "Yes," you may be asked to document your parent's status as a dislocated worker.

Mark "No" if neither of your parents is certified as a dislocated worker.

Questions 45-48 ask about income and benefits your parents expect to get in 1991. If your parent is divorced, separated, or widowed, don't include information about the other parent. Answer these questions as accurately as you can. If a question doesn't apply, or if your parents don't expect to get any income or benefits from that source, write in "0."

Important Note: See the table on page 4 for the kinds of income and taxes to leave out of questions 45-48.

45. Income earned from work in 1991

46. Include wages, salaries, and tips. See **Important Note** above.

47. Other taxable income for 1991

Write in the total amount of other taxable income that your parents will report on their 1991 IRS Form 1040, 1040A, or 1040EZ. Include interest and dividend income and any other taxable income. Don't include any unemployment compensation or any income reported in questions 45 and 46.

48. U.S. income tax to be paid for 1991

Write in the amount of income tax that your parents expect to pay in 1991. Be sure this amount doesn't include any FICA, self-employment, or other taxes.

49. Nontaxable income and benefits for 1991

These are the same types of income and benefits that were asked for in questions 28a-28d.

Section I — Student's (& Spouse's) Expected 1991 Taxable & Nontaxable Income & Benefits

44. Mark "Yes" if you (or your spouse) are currently certified as a "Dislocated Worker" (see page 7) by the appropriate state agency.

If you marked "Yes," you may be asked to document your status (or that of your spouse) as a dislocated worker.

Mark "No" if neither you nor your spouse is certified as a dislocated worker.

Questions 45-48 ask about income and benefits you (and your spouse) expect to get in 1991. If you are divorced, separated, or widowed, don't include information for your spouse. Answer these questions as accurately as you can. If a question doesn't apply to you, or if you don't expect to get any income or benefits from that source, write in "0."

Important Note: See the table on page 4 for the kinds of income and taxes to leave out of questions 45-48.

45. Income earned from work in 1991

46. Include wages, salaries, and tips. See **Important Note** above.

47. Other taxable income for 1991

Write in the total amount of other taxable income that you (and your spouse) will report on your 1991 IRS Form 1040, 1040A, or 1040EZ. Include interest and dividend income and any other taxable income. Don't include any unemployment compensation or any income that you reported in questions 45 and 46.

48. U.S. income tax to be paid for 1991

Write in the amount of income tax that you (and your spouse) expect to pay in 1991. Be sure this amount doesn't include any FICA, self-employment, or other taxes.

49. Nontaxable income and benefits for 1991

These are the same types of income and benefits that were asked for in questions 28a-28d.

Section J — Student's Other Information

53. If you are now in high school, write in your high school six-digit code number. You can get the code from your high school counselor. If you answer this question, information on your filing status will be sent to your high school counselor.

54a. List all colleges attended. List the most recent college first. Give the month and year for the period attended. Write in the CSS code number from the list at the back of this booklet. If the code number is not listed, leave it blank.

55. Write in the two-digit code that best describes your planned course of study. Use only the codes listed below.

01 Agriculture	11 Geography	22 Psychology
02 Architecture	12 Health Profession, Nursing	23 Religion, Theology
03 Biological Science	13 Home Economics	24 Social Science
04 Business, Commerce, Computer Science	14 Law	Anthropology, Sociology
05 Education, Teaching	15 Library Science	25 Trade and Vocational Training
06 Engineering	17 Math, Statistics	26 Political Science, Government, History
07 English Journalism	18 Military Air or Naval Service	27 Communication
08 Fine and Applied Arts	19 Pharmacy	28 Continuing Education
09 Foreign Language, Literature	20 Physically	29 Other/Undecided
10 Forestry, Environmental Science	21 Physical or Earth Science, Chemistry	

56. Write in the month and year you expect to complete the college degree or certificate that you will be working toward.

57. Mark your enrollment status in college from July 1, 1991 to June 30, 1992.

61. Mark "Yes" if you are currently supposed to be repaying a federal educational loan (Stafford/GSL, FISL, SLS/PLUS/ALAS, Perkins/NDSL, ICL, Consolidated Loan programs), but failed to make required payment according to the terms of your promissory note. Otherwise, mark "No." (See information on "Additional Federal Student Financial Aid Programs" on page 8.)

62. Mark "Yes" if you owe money to a college because you received an overpayment on a federal grant (Pell, SEOG, SSIG). Otherwise, mark "No."

63a. If you have a driver's license, write in the first 19 letters and/or numbers. If you don't have a driver's license, leave this question and 63b blank.

Section K — Student's Expected Summer/School Year Income

64.–67. Write in the information for the 3 month summer of 1991 and the 9 month school year of 1991-92. These are the same types of income and benefits asked for in questions 45-48.

Section L — Student's Expected Other Veterans Benefits

68. Other veteran's benefits

Write in the amount of other veterans benefits that you will get per month. Include benefits from:

- Selective Reserve pay (Montgomery GI Bill - Chapter 106)
- New GI Bill (Montgomery GI Bill - Chapter 30)
- Vocational Rehabilitation (Chapter 31)
- REPS (Restored Entitlement Program for Survivors - Section 156).

Don't include any benefits reported in question 42 or 43.

Section M — Family Members' Listing

69. **Be sure to complete all parts of this question, giving the information asked for in each column.** If Section B instructed you to complete the grey and white areas of the form, give information for all family members included in question 39. Otherwise, give information for all family members included in question 18.

Section N — Parents' Other Information

72. See the instructions for 39 for a definition of non-real estate investments. Exclude all real estate investments reported in 39 from this question.

73. Use 73a-73f to show the breakdown of adjusted gross income in question 24. The total in 73g must equal your answer to question 24.

Section O — Divorced, Separated, or Remarried Parents

This section is to be filled out by the **parent** who is completing this form if the student's natural or adoptive parents are divorced or separated.

Section P — Stafford Loan Information (formerly GSL)

You are encouraged to answer the questions in this section even if you don't think you want a Stafford Loan. Answering these questions does not commit you to accept a Stafford Loan nor does it guarantee that you are eligible for a Stafford Loan. It simply provides most colleges with the information they need to offer you a complete package of financial aid resources that you can either accept or reject. If you should later decide to borrow, answering these questions now may avoid unnecessary delays in getting the financial aid you need.

For additional information on Stafford Loans see: **"Who Can Get Aid From These Federal Student Financial Aid Programs"** on page 2.

76a. Include any unpaid Stafford Loans or GSLs or Federally Insured Student Loans (FISL). Include any unpaid portion of a Stafford Loan or GSL that is included in a Consolidation Loan. Don't include Supplemental Loans for Students (SLS), Auxiliary Loans to Assist Students (ALAS), Perkins Loans, or PLUS loans. If you have attended more than one college, include all Stafford Loans or GSLs that you received at each. If you have made any payments, enter only the unpaid balance of the loan(s) rather than the amount borrowed. If you don't know what your unpaid balance is, contact your lender. If you have never received a Stafford Loan or GSL or if you have repaid all your Stafford Loans or GSLs, write in "0."

76b.–76e. These questions refer to your **most recent** Stafford Loan or GSL. Skip these questions if you answered "0" to question 76a.

For **question 76c**, mark the interest rate of your most recent loan. See your promissory note if you are unsure. The choice of "8-10%" means that the loan has an interest rate of 8% for the first four years of repayment and 10% after that.

Don't write in a "0" or "N/A."

Section Q — Student's Colleges & Programs

77. Give the full name, CSS code number, and housing code for each college and program to which you want CSS to send information from this FAF. Be sure to include the college(s) that you listed in question 29. Don't list federal student financial aid programs. Be sure you enclose the right fee.

You can list up to **eight colleges** and programs in this question. If you want more than eight colleges or programs to receive your FAF information, list them with your name and social security number on a separate, full-size 8 ½" × 11" sheet of paper. Be sure to include $6.75 for each additional college. The eight colleges that you list in this question will be processed first and will appear on your first Acknowledgment. If you list more than eight colleges, you will receive a second Acknowledgment. You cannot change or delete a college or program once your form is processed.

You will find the code numbers in the CSS code list at the back of this booklet. Colleges on the code list are listed alphabetically within the state in which they are located. If a state has one or more state scholarship or grant programs, they are printed at the beginning of the state's listing in **bold type**. A dash (—) to the left of a college means that it is a campus or branch of a college or university system.

The inclusion of a college on the CSS code list doesn't necessarily mean that the college requires the FAF. Check with the college if you're not sure. Be sure to use only CSS code numbers in question 77. If you use a wrong code number, your FAF will be sent to the wrong college. If you can't find a code number for a college, be sure that the college needs a copy of your FAF. Then, write in the name and city and state of the college, but leave the space for the CSS code number blank. CSS will write in the code number for you.

Write in the housing code that best describes where you plan to live while attending college during 1991-92. If you are considering more than one college, answer this question regarding living arrangements for each college you list. Answer "With parents" if you will live with one or both of your parents while you are attending college during 1991-92. Answer "Campus housing" if you will live in housing controlled by the college you will attend. Answer "Off campus housing" if you will not be living with your parents, in campus housing, or with relatives (other than a spouse or children) while attending college. Answer "With relatives" if you will live with relatives other than your parents, spouse, or children.

78. Mark the box that tells how many colleges and programs are listed in question 77. Make out your check or money order for the correct fee to the College Scholarship Service. This fee covers the cost of reporting your information to the colleges and programs you have indicated. CSS's responsibility to you in this regard does not extend beyond the amount of your fee. If you send a check that the bank won't accept, you will be charged an additional $5.00 fee. Checks must not be written on foreign banks. Students outside the U.S. (except for Canada and U.S. possessions) should use an international money order. Send the fee with your FAF to CSS. (Don't staple your check or money order to your FAF.) **The FAF will be returned to you if you marked "No" at question 39a and no fee is enclosed.**

Double-check your FAF to make sure it is complete and accurate. Make a copy of the completed FAF for your records. Send the original form to CSS. Don't send a photocopy. Photocopies can't be processed and will be returned. Don't send letters, tax forms, or other materials with your FAF as they will be destroyed. If there are special circumstances that will affect your eligibility, contact the colleges to which you are applying. Keep this booklet handy. You will need it later.

SPECIAL INSTRUCTIONS/DEFINITIONS

Dislocated Worker—To be considered a dislocated worker, you must be currently certified as one by a state agency such as your local employment service or job service. This certification is done in accordance with Title III of the Job Training Partnership Act. A dislocated worker generally means a person who:

- has been terminated or laid off or has received a notice of termination or layoff;
- has been terminated or received a notice of termination as a result of permanent closure of a plant or other facility; or
- was self-employed (including farmers) but is now unemployed because of poor economic conditions in the community or a natural disaster.

Foreign Tax Return—If you, your spouse, and/or your parents won't be filing a U.S. income tax return in 1990 (e.g., Puerto Rican tax filers), follow the instructions below.

- In question 22, mark box "2" ("From a completed IRS Form 1040"). If a foreign tax return has been filed or mark box "4" ("estimated"). Will file IRS Form 1040"). If a foreign tax return will be filed.
- use the information from the tax return to fill out this form.
- convert all figures to U.S. dollars, using the exchange rate in effect **today**; and
- fill out the Supplemental Information (Sections F-I) and the rest of the form, if appropriate.

Legal Guardian—A legal guardian is a person whom a court has:

- appointed to be your legal guardian, and this legal relationship will continue after June 30, 1992; and
- directed to support you with his or her own financial resources.

Native American—If you are a Native American, report the amount of income and assets over $2,000 per individual payment that you, your spouse, and/or your parents received in 1990 from the Per Capita Act or the Distribution of Judgment Funds Act. If $2,000 or less per individual payment was received from either of these Acts, don't report it. Don't report funds received as an award under the Alaska Native Claims Settlement Act or the Maine Indian Claims Settlement Act. Don't include any assets received from the Alaska Native Claims Settlement Act.

WORKSHEET I

Adjusted Gross Income (AGI) Worksheet

Wages, salaries, tips, etc.		$ .00
Interest income		+ .00
Dividends		+ .00
Other taxable income (alimony received, business and farm income, capital gains, pensions, annuities, rents, unemployment compensation, social security, Railroad Retirement, and all other taxable income). See the tables on page 4 and the instructions for question 24.		+ .00
Add all the numbers in the column.		= .00
Subtract IRS allowable adjustments to income (payments to IRA and Keogh plans, interest penalty on early withdrawal of savings, and alimony paid).		- .00
This is your answer for question 24.	TOTAL	$ .00

WORKSHEET II

Untaxed Income and Benefits Worksheet

Amounts from IRS tax forms	For question 25d Parents	For question 25d Student & Spouse
Deductible IRA and/or Keogh payments from Form 1040, total of lines 24a, 24b, and 27, or 1040A, line 15c	$ .00	$ .00
Earned income credits from Form 1040, line 57, or 1040A, line 28c	+ .00	+ .00
Untaxed portions of pensions from Form 1040, line 16a minus 16b, and line 17a minus 17b, or Form 1040A, line 10a minus 10b, and line 11a minus 11b (excluding "rollovers")	+ .00	+ .00
Credit for federal tax on special fuels from Form 1040, line 50	+ .00	+ .00
Foreign income exclusion from Form 2555, line 39	+ .00	+ .00
Tax-exempt interest income from Form 1040, line 8b, or 1040A, line 8b	+ .00	+ .00
Other Untaxed Income and Benefits		
Payments to tax-deferred pension and savings plans (paid directly or withheld from earnings). Include only untaxed portions of 401(k) and 403(b) plans.	+ .00	+ .00
Welfare benefits (except AFDC/ADC which you should have reported in question 25b)	+ .00	+ .00
Workers Compensation	+ .00	+ .00
Veterans noneducational benefits such as: Death Pension and Dependency and Indemnity Compensation (DIC), etc.	+ .00	+ .00
Housing, food, and other living allowances (excluding rent subsidies for low income housing) paid to members of the military, clergy, and others. Include cash payments and cash value of benefits.	+ .00	+ .00
Cash support or any money paid on your behalf, including support from a noncustodial parent	XXXXXXXXXXXXXX +	.00
Any other untaxed income and benefits, such as Black Lung Benefits, Refugee Assistance, untaxed portions of Railroad Retirement benefits, or Job Training Partnership Act noneducational benefits.	+ .00	+ .00
This is your answer for question 25d.	TOTAL $ .00	$ .00

Don't include

- Social security benefits.
- Any income reported elsewhere on the form.
- Money from student financial aid.
- Food stamps.
- Gifts and support, other than money, received from friends or relatives.
- Veterans educational benefits, (or Ref. Dependents Educational Assistance Program, VA Vocational Rehabilitation Program, VA Contributory Benefits, etc.)
- "Rollover" pensions.

We urge you to keep these worksheets. Don't send them in with your FAF. You may be asked to refer to them later to verify the information on your form. (It may also help you to show that your SAR/Acknowledgment is accurate.)

ADDITIONAL INFORMATION ON FEDERAL STUDENT FINANCIAL AID PROGRAMS

Where can I get additional information?

Write to Federal Student Aid Information Center, P.O. Box 84, Washington, D.C. 20044, and ask for a free copy of *The Student Guide: Financial Aid from the U.S. Department of Education — Grants, Loans, and Work Study 1991-92*.

How do I get aid from these federal student financial aid programs?

Fill out the FAF, mark "Yes" in question 30a, and send the form to CSS. Your form must be **received by May 1, 1992, but not before January 1, 1991**. The sooner you send it in, **the better**. CSS will send your information to the U.S. Department of Education (U.S.E.D.).

What happens after I mail in my form?

Within four to six weeks after you mail in this form, CSS (under contract to the U.S. Department of Education) will send you a Student Aid Report (SAR). On the SAR will be either a request for further information or numbers called a **Pell Grant Index (PGI)** and a **Family Contribution (FC)**. Formulas established by law are used to figure these numbers from the information you give us. Your school or the U.S. Department of Education may ask you to prove that the information you gave on your application is true.

If you don't get a SAR within four to six weeks, or if you need another copy of your SAR, write to Federal Student Aid Programs, College Scholarship Service, P.O. Box 6810, Princeton, NJ 08541-6810. Give your name, address, social security number, and date of birth, and ask for a copy of your 1991-92 SAR. If your address has changed since you sent in your FAF, be sure to give your old and new addresses. Be sure to sign your letter.

What is my Pell Grant Index (PGI)?

The PGI is a number that tells whether you may be able to get a Pell Grant. If you are eligible for a Pell Grant, your school will use this number to determine the amount of your award. Even if you don't qualify for a Pell Grant, you may still qualify for one or more of the other federal student aid programs. Be sure to ask your financial aid administrator if your school needs any additional information from you for these other programs.

What is my Family Contribution (FC)?

The FC is a number that helps your financial aid administrator determine if you are able to get one of the several available forms of assistance. These include Stafford Loan, SEOG, CWS, and Perkins Loan. Your school will use this number to determine the amount of your grant, loan, or work-study award.

What if my situation changes?

Questions 11, 13, 15-19 (**green area**), and 20-21 (**gray area**) ask you to make projections for the coming year. If your answers to these questions change, **wait** until you receive your SAR and then see your financial aid administrator.

The income and expense information that you give must be accurate and must match what is or will be on your 1990 income tax forms. However, if your financial situation has recently changed, contact your financial aid administrator.

Information on the Privacy Act and Use of Your Social Security Number

The Privacy Act of 1974 requires that each federal agency that asks for your social security number or other information must tell you the following:

- its legal right to ask for the information and whether the law says you must give it
- what purpose the agency has in asking for it and how it will be used
- what could happen if you do not give it

You must give your social security number to apply for federal student financial aid. The U.S. Department of Education's legal right under the Title IV programs to require that you provide us with your social security number is based on Section 484(a)(4) of the Higher Education Act of 1965, as amended. The social security number is used under the Pell Grant, Supplemental Educational Opportunity Grant, and College Work-Study programs in recording information about your college attendance and progress and in making sure you have received your money. The social security number is also used under the Stafford (GSL) and Perkins Loan programs to identify the applicant, to determine program eligibility and benefits, and to permit servicing and collecting of the loans.

If you are applying for federal student aid only, you must fill out everything except questions 29, 30b, 31, and 90-78. If you skip question 30b, we will count your answer as "No" for both parts of that question. If you are applying for a Pell Grant only, you can skip questions 5, 36, and 43.

The authority to request all other information (except the social security number) is based on Sections 411A, 411B, 411C, 411D, 411E, 474, 475, 476, 477, 478, and 480 of the Higher Education Act of 1965, as amended. This information is used to determine the amount of federal student aid for which you may be qualified.

The information you supplied may be disclosed to third parties that the Department has authorized to assist in administering federal student aid programs. This disclosure may include private firms that the Department contracts with for the purpose of collecting, analyzing, totaling, or refining records in the system and who are required to maintain safeguards under the Privacy Act. This may be accomplished through computer matching programs such as the ones currently conducted with the Selective Service System and the Immigration and Naturalization Service.

We will provide your name, address, social security number, date of birth, student aid indices, student status, year in college, and state of legal residence to the college(s) that you list in question 29 (or their representatives), even if you mark "No" to the "college(s)" part of question 30b. The information will also go to the state agencies in your state of legal residence to help coordinate state financial aid programs with federal student aid programs. We will provide calculations and determination of eligibility to the agency with which you filed a student aid application, or another similar agency, if you request us to do so. That agency may also release information received from the Department to colleges, state scholarship agencies, and loan guarantee agencies that you have designated to receive information. Also we may send information to members of Congress if you ask them to help you with federal student aid questions. If your parents or your spouse provided information on the form, they may also request to see all the information on the application. If the federal government, the Department, or an employee of the Department is involved in litigation, we may send information to the Department of Justice, or a court or adjudicative body, if the disclosure is related to financial aid and certain other conditions are met. The information may also be made available to federal agencies which have the authority to subpoena other federal agencies' records. In addition, we may send your information to a foreign, federal, state, or local enforcement agency if the information that you submitted indicates a violation or potential violation of law, which that agency has jurisdiction for investigation or prosecution. Finally, we may send information regarding a loan which is determined to be valid and overdue to a consumer reporting agency. The information includes identifiers from the record, the amount, status, and history of the claim, and the program under which the claim arose.

Special note about the above statement: The above information tells you that, in some cases, you can skip certain questions on the FAF. However, you should be aware that if you want CSS to send information from your FAF to your state agency, colleges, and programs, you must complete questions 77 and 78.

Although the information you give on the FAF is confidential, if a subpoena is received that requests your FAF information, the information will be provided.

CSS Code List

See instructions for question 77 (page 7) before using this list.

FAF Financial Aid Form — School Year 1991-92

Do not write in this space

00

Section A — Student's Identification Information

1. Your name: Last / First / M.I.
2. Your permanent mailing address (Mail will be sent to this address. See page 2 for state country abbreviation.): Number, street, and apartment number / City / State / Zip Code
3. Your title (optional): ☐ Mr. ☐ Miss, Ms., or Mrs.
4. Your state of legal residence:
5. Your social security number: – –
6. Your date of birth: Month / Day / Year
7. Are you a U.S. citizen? (Mark only one box.)
   - ☐ Yes, I am a U.S. citizen.
   - ☐ No, but I am an eligible noncitizen. (See the instructions on page 2.)
   - ☐ No, neither of the above. (See the instructions on page 3.)
8. As of today, are you married? (Mark only one box.)
   - 1 ☐ I am not married. (I am single, divorced, or widowed.)
   - 2 ☐ I am married.
   - 3 ☐ I am separated from my spouse.
9. What year will you be in college in 1991-92? (Mark only one box.)
   - 1 ☐ 1st (never previously attended college)
   - 2 ☐ 1st (previously attended college)
   - 3 ☐ 2nd
   - 4 ☐ 3rd
   - 5 ☐ 4th
   - 6 ☐ 5th or more undergraduate
   - 7 ☐ first year graduate/professional (beyond a bachelor's degree)
   - 8 ☐ continuing graduate or professional
10. Will you have your first bachelor's degree before July 1, 1991? Yes ☐ No ☐

Section B — Student Status

11. a. Were you born **before** January 1, 1958? Yes ☐ No ☐
    b. Are you a veteran of the U.S. Armed Forces? Yes ☐ No ☐
    c. Are you a ward of the court or are both your parents dead? Yes ☐ No ☐
    d. Do you have legal dependents (other than a spouse) that fit the definition in the instructions on page 3? Yes ☐ No ☐

- If you answered "Yes" to any part of question 11, go to Section C and fill in the **GRAY and the WHITE areas** on the rest of the form. Some colleges may also ask you to complete the GREEN areas. (Skip questions 12 through 18.)
- If you answered "No" to every part of question 11 and you are:
  - —unmarried now (single, divorced, separated, or widowed) **and** will be an undergraduate student in 1991-92, answer question 12. (Skip question 18.)
  - —married now or **will** be a graduate/professional student in 1991-92, answer question 18. (Skip questions 12 through 14a.)

Unmarried Undergraduate Students Only

12. Did your parents claim you as an income tax exemption
    - in 1989? Yes ☐ No ☐
    - in 1990? Yes ☐ No ☐

- If you answered "Yes" to **either** year in question 12, go to Section C and fill in the **areas outlined in GREEN and the WHITE areas** on the rest of the form. (Skip questions 13 through 18.)
- If you answered "No" to **both** years in question 12, answer question 13 below.

13. Beginning with the 1987-88 school year, you **first** received federal student financial aid: (Mark only one box. See instructions on page 3.)
    - 1 ☐ in the 1987-88 school year. (Answer 14a below. Skip questions 14b, 14c, 14d, and 14e.)
    - 2 ☐ in the 1988-89 school year. (Answer 14b below. Skip questions 14a, 14c, 14d, and 14e.)
    - 3 ☐ in the 1989-90 school year. (Answer 14c below. Skip questions 14a, 14b, 14d, and 14e.)
    - 4 ☐ in the 1990-91 school year. (Answer 14d below. Skip questions 14a, 14b, 14c, and 14e.)
    - 5 ☐ in neither 1, 2, 3, or 4. (Answer 14e below. Skip questions 14a, 14b, 14c, and 14d.)

14. a. Did you have total resources of $4,000 or more, not including parents' support?

	Yes	No
in 1985?	☐	☐
in 1986?	☐	☐

14. b. Did you have total resources of $4,000 or more, not including parents' support?

	Yes	No
in 1986?	☐	☐
in 1987?	☐	☐

14. c. Did you have total resources of $4,000 or more, not including parents' support?

	Yes	No
in 1987?	☐	☐
in 1988?	☐	☐

14. d. Did you have total resources of $4,000 or more, not including parents' support?

	Yes	No
in 1988?	☐	☐
in 1989?	☐	☐

14. e. Did you have total resources of $4,000 or more, not including parents' support?

	Yes	No
in 1989?	☐	☐
in 1990?	☐	☐

- If you answered "No" to **either** year in question 14a, 14b, 14c, 14d, or 14e, go to Section C and fill in the **areas outlined in GREEN and the WHITE areas** on the rest of the form.
- If you answered "Yes" to **both** years in question 14a, 14b, 14c, 14d, or 14e, go to Section C and fill in the **areas outlined in GRAY and the WHITE areas** on the rest of the form. Some colleges may also ask you to complete the GREEN areas.

Married Students or Graduate/Professional Students Only

15. Will your parents claim you as an income tax exemption in 1991? Yes ☐ No ☐

- If you answered "Yes" to question 15, go to Section C and fill in the **areas outlined in GREEN and the WHITE areas** on the rest of the form.
- If you answered "No" to question 15, go to Section C and fill in the **areas outlined in GRAY and the WHITE areas** on the rest of the form. Some colleges may also ask you to complete the GREEN areas.

Section C — Household Information

Parents

16. What is your parents' current marital status? (Mark only one box.)
    - 1 ☐ single
    - 2 ☐ married
    - 3 ☐ separated
    - 4 ☐ divorced
    - 5 ☐ widowed

17. What is your parents' state of legal residence?

18. Number of family members in 1991-92. Always include yourself, other children and other people only if they meet the definition in the instructions on page 3.

19. Number of college students in 1991-92. Of the number in 18, write in the number of family members who will be in college at least half-time. Include yourself — the student who is applying for aid.

Student (and Spouse)

20. Number of family members in 1991-92. Always include yourself, and also spouse, include your children and other people only if they meet the definition in the instructions on page 3.

21. Number of college students in 1991-92. Of the number in **20**, write in the number of family members who **will** be in college at least half-time. Include yourself.

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Print your name Last First

Section D — 1990 Income, Earnings, and Benefits (You must see the instructions for income and taxes that you should exclude from questions 24 through 26.)

Everyone must fill out the Student (and Spouse) column below.

		Parents	Student (and Spouse)
22. The following 1990 U.S. income tax return figures are (Mark only one box.)	from a completed IRS Form 1040EZ or 1040A. (Go to 23.)	22. 1	22. 1
	from a completed IRS Form 1040. (Go to 23.)	2	2
	estimated. Will file IRS Form 1040EZ or 1040A. (Go to 23.)	3	3
	estimated. Will file IRS Form 1040. (Go to 23.)	4	4
	A tax return will not be filed. (Skip to 28.)	5	5
Tax Filers Only 23. 1990 total number of exemptions (IRS Form 1040 — line 6e; 1040A — line 6e; or 1040EZ — see instructions on page 4.)		23.	Tax Filers Only 23.
Tax Filers Only 24. 1990 Adjusted Gross Income (AGI) (IRS Form 1040 — line 31; 1040A — line 16; or 1040EZ — line 3. See instructions on page 4.)		24. $	Tax Filers Only 24. $
Tax Filers Only 25. 1990 U.S. income tax paid (IRS Form 1040 — line 47; 1040A — line 25; or 1040EZ — line 7.)		25. $	Tax Filers Only 25. $
26. 1990 income earned from work by	Father	26. $	Student 26. $
27. 1990 income earned from work by	Mother	27. $	Spouse 27. $
28. 1990 untaxed income and benefits (yearly totals only)			
a. Social security benefits		28a. $	28a. $
b. Aid to Families with Dependent Children (AFDC or ADC)		b. $	b. $
c. Child support received for all children		c. $	c. $
d. Other untaxed 1990 income and benefits from Worksheet II on page 6 of the instructions		d. $	d. $

Section E — Federal Student Aid Releases and Certification

29. What college(s) do you plan to go to in 1991-92?

Name	City and State	CSS Code No.
a.		
b.		
c.		

30. a. Do you give CSS permission to send information from this form to the U.S. Department of Education? (Mark "Yes" if you want to be considered for a Pell Grant and other federal student financial aid. If you answer "No," skip 30b and 31.) Yes ☐ No ☐

30. b. Do you give the U.S. Department of Education permission to send information from this form to
— the financial aid agencies in your state? Yes ☐ No ☐
— the college(s) you named in 29 (or its representative)? Yes ☐ No ☐

Note: By marking "Yes," you are not applying for state and institutional aid in some states. Some agencies and colleges that use the FAF also require that a CSS report be sent to them. See instructions.

31. Mark this box if you give Selective Service permission to register you. (See instructions.) ☐

32. **Certification:** All of the information on this form and the Supplemental Information if completed is true and complete to the best of my knowledge. If asked by an authorized official, I agree to give proof of the information that I have given on this form and the Supplemental Information if completed. I realize that this proof may include a copy of my U.S. state or local income tax return. I also realize that if I don't give proof when asked, the student may be denied aid.

Everyone giving information on this form must sign below. If you don't sign the form, it will be returned unprocessed.

1 Student's signature
2 Student's spouse's signature
3 Father's signature
4 Mother's signature

Date this form was completed.
Write in the month and day. Month Day
Mark the year completed. ☐ 1991 ☐ 1992
Year

IMPORTANT: You must read the instructions on page 5 to see if you need to fill out Sections F through I.

SUPPLEMENTAL INFORMATION

Section F — 1990 Expenses

	Parents	Student (and Spouse)
33. 1990 medical and dental expenses not paid by insurance	33. $	33. $
34. 1990 elementary, junior high, and high school tuition for dependent children: a. Amount paid (Don't include tuition paid for the applicant.)	34a. $	34a. $
b. For how many dependent children? (Don't include the applicant.)	b.	b.

Section G — Asset Information

If you are completing this section, you must fill out the Student (and Spouse) columns below.

	Parents		Student (and Spouse)	
35. Is either of your parents a displaced homemaker? (See instructions on page 5.)	35. Yes ☐ No ☐		35. Are you, or is your spouse, a displaced homemaker? Yes ☐ No ☐ See instructions on page 5.	
36. Write in the age of your older parent.	36.		36. XXXXXXXXXXXXXXXX	
	What is it worth today?	What is owed on it?	What is it worth today?	What is owed on it?
37. Cash, savings, and checking accounts	37. $	XXXXXXXXXXXXXXXX	37. $	XXXXXXXXXXXXXXXX
38. Home. Renters write in "0."	38. $	$	38. $	$
39. Other real estate and investments	39. $	$	39. $	$
40. Business and farm	40. $	$	40. $	$
41. Does any part of 40 include a farm?	41. Yes ☐ No ☐		41. Yes ☐ No ☐	

Section H — Student's Veterans Educational Benefits (Expected Amount July 1, 1991 – June 30, 1992) (If you are completing this section you must answer question 42. If you are filling out the gray and white areas, you must also answer question 43.)

42. Your veterans Dependents Educational Assistance Benefits
a. Amount per month $ b. Number of months

43. Your Veterans Contributory Benefits (VEAP)
a. Amount per month $ b. Number of months

Section I — Expected 1991 Taxable & Nontaxable Income & Benefits

(You must see the instructions for income and taxes that you should exclude from questions 44 through 49.)

		Parents	If you are completing this section, you must fill out the Student (and Spouse) columns below.	Student (and Spouse)
44. Is either parent **certified** as a dislocated worker by the appropriate agency? (See instructions on page 6.)		44. Yes ☐ No ☐	Are you or is your spouse **certified** as a dislocated worker by the appropriate agency? (See instructions on page 6.)	44. Yes ☐ No ☐
45. 1991 income earned from work by	Father	45. $	Student	45. $
46. 1991 income earned from work by	Mother	46. $	Spouse	46. $
47. 1991 other taxable income		47. $		47. $
48. 1991 U.S. income tax to be paid		48. $		48. $
49. 1991 nontaxable income and benefits (See instructions on page 6.)		49. $		49. $

Section J — Student's Other Information

50. Your home telephone: Area Code Number

51. Date you began living in your state of legal residence: Month Year

52. If you have dependents other than a spouse, **how many** will be in each of the following age groups during 1991-92? Ages 0-5 Ages 6-12 Ages 13-

53. If you are now in high school, give your high school 5-digit code number.

54. a. List all colleges that you have attended. Always list first the college most recently attended.

Name, city and state of college	Period of attendance From (MM-YY)	To (MM-YY)	CSS (Code) Number
1.			
2.			
3.			

b. If you have attended more than three colleges, mark here ☐. Give names and CSS code numbers in Section R.

55. Your course of study code (See instructions.)

56. Date you expect to complete your current college degree/certificate: Month Year

57. Your expected enrollment status during the 1991-92 school year: (Mark only one box.)
☐ 1. Full time ☐ 2. At least half time but less than full time ☐ 3. Less than half time

58. During the 1991-92 school year, you want financial aid: from Month Year through Month Year

59. Mark your preference for work or loan assistance:
☐ 1. Part time job only ☐ 2. Loan only
☐ 3. Part time job and loan ☐ 4. No preference

60. a. Your occupation/employer

b. Employer's address

c. Will you continue to work for this employer during the 1991-92 school year? Yes ☐ No ☐

61. Are you currently in default on an educational loan? (See instructions.) Yes ☐ No ☐

62. Do you owe a refund on a federal grant? (See instructions.) Yes ☐ No ☐

63. a. Your driver's license number

b. State that issued the above driver's license number: State

Section K — Student's Expected Summer/School Year Income

(See instructions for the kinds of income to exclude.)

	Summer 1991 (3 months)	School Year 1991-92 (9 months)
64. Income earned from work by you	$	$
65. Income earned from work by your spouse	$	$
66. Other taxable income	$	$
67. Nontaxable income and benefits	$	$

Section L — Student's Expected Other Veterans Benefits

(July 1, 1991 – June 30, 1992)

68. Other benefits administered by the Veterans Administration (See page 7 of instructions. Don't include any benefits you already reported in 42 or 43.)
a. Amount per month $ b. Number of months

Section M — Family Members' Listing

Give information for all family members included in 18 or 28. You are already listed on line 1. List up to seven other family members here. If more than seven, list first those who will be in college at least half time. List those over seven in Section R.

69. Full name of family member	Age	Relationship (Use code 1991-92 box below.)	Will attend college at least half time in 1991-92 school year? Yes	No	Name of school or college this person will attend in 1991-92 school year	Year in school 1991-92	Occupation/Employer of this person	If attended college in 1990-91, give amount of: 1990-91 Scholarships/Grants	1990-91 Parents' Contribution
1. Yes — the Student Applicant									
2.			☐	☐					
3.			☐	☐					
4.			☐	☐					
5.			☐	☐					
6.			☐	☐					
7.			☐	☐					

Enter in the correct code from the right.

1. Student's parent
2. Student's stepparent
3. Student's brother or sister
4. Student's husband or wife
5. Student's son or daughter
6. Student's grandparent
7. Other (Explain in Section R.)

Section O — Parents' Other Information

70. Parents' monthly home mortgage/rental payment (if none, explain in Sect. R.) $

71. If parents own a home, give: a. year purchased (1 9) b. purchase price $

72. If parents included non-real estate investments in **39**, give their worth today $

73. Breakdown of 1990 income in **34** (Tax Filers Only)

a. Wages, salaries, tips (IRS 1040—line 7; 1040A—line 7; or 1040EZ—line 1) a. $

b. Interest income (IRS 1040—line 8a; 1040A—line 8a; or 1040EZ—line 2) b. $

c. Dividend income (IRS 1040 — line 9; or 1040A — line 9) c. $

d. Net income (or loss) from business, farm, rents, royalties, partnerships, estates, trusts, etc. (IRS 1040 — lines 12, 18, and 19). If a loss, enter the amount in (parentheses) d. $

e. Other taxable income such as alimony received, capital gains (or losses), pensions, annuities, etc. (IRS 1040—lines 10, 11, 13,15, 16b, 17b, 20, 21b, and 22; or 1040A—lines 10b, 11b, 12, and 13b) e. $

f. Adjustments to income (IRS 1040 — line 30; or 1040A — line 15c) f. $

g. Total (Add **73a**-**73e** minus **73f**.) This is your answer to **34**. ——→ g.

Section Q — Divorced, Separated, or Remarried Parents

(To be answered by the parent who completes this form if the student's natural or adoptive parents are divorced or separated.)

74. a. Year of separation _____ Year of divorce _____

b. Other parent's name:
Home address:

Occupation:
Employer:

c. According to court order, when will support for the student end? Month _____ Year _____

d. Who claimed the student as a tax exemption for 1990?

e. Is there an agreement specifying a contribution for the student's education?
If yes, how much for the 1991-92 school year?

Section P — Stafford Loan Information (formerly GSL)

75. If it is necessary to borrow money to pay for educational expenses, do you want to be considered for a Stafford Loan? Yes ☐ No ☐

- If you marked "Yes," your information may be sent to the appropriate loan agency. Answer **76a**-**e** unless you have never received a Stafford Loan or GSL.
- If you marked "No," go to **77**. Skip **78**.

76. Stafford Loan and/or GSL information:

a. Total unpaid balance on all your Stafford Loans and GSLs $

b. Total unpaid balance on your most recent Stafford Loan or GSL $

c. Interest rate of your most recent Stafford Loan or GSL (Mark only one box.): 1 ☐ 7% 2 ☐ 8% 3 ☐ 9% 4 ☐ 5/10%

d. Loan period of your most recent Stafford Loan or GSL: from Month Year through Month Year

e. Class level in which you received the most recent Stafford Loan or GSL (Give number code from below.)

1 = Freshman; 2 = Sophomore; 3 = Junior; 4 = Senior; 5 = First year, undergraduate; 6 = First year, graduate/professional; 7 = Second year, graduate/professional; 8 = Third year, graduate/professional; 9 = Beyond third year, graduate/professional

Section R — Explanations/Special Circumstances

☐ ☐ ☐

Section S — Student's Colleges & Programs

77. List the names and CSS code numbers of the colleges and programs to which you want CSS to send information from this form. Give the correct housing code. (Don't list federal student aid programs. Be sure to include the college(s) you listed in **29**.) Enclose the right fee. See the instructions and **78**.

Name	City and State	CSS Code No.	Housing Code*

*Housing Codes for 1991-92: Enter only one code for each college.
1 = With parents; 2 = Campus housing; 3 = Off-campus housing; 4 = With relatives

78. Fee: Mark the box that tells how many colleges and programs are listed in **77**.

1 ☐ $9.75 2 ☐ $15.50 3 ☐ $22.25 4 ☐ $29.00 5 ☐ $35.75 6 ☐ $42.50 7 ☐ $48.25 8 ☐ $55.00

Mail this form with a check or money order for the right amount made out to the College Scholarship Service.

Tennessee Student Assistance Corporation

APPLICATION FOR FEDERAL & STATE STUDENT AID (AFSSA)

1991-92 School Year

TSAC

THE PURPOSE OF THIS APPLICATION

You can use the form in this booklet as the first step in applying for student financial aid from the Federal student assistance programs offered by the U.S. Department of Education, plus Tennessee grant aid offered through TSAC.

The five Federal student assistance programs can help you pay for most kinds of education after high school. The aid is available if you are attending a professional school, a vocational or technical school, or college. This application is for Federal and State student financial aid for the 1991-92 school year (July 1, 1991 - June 30, 1992).

Your school may use this application for other financial aid programs. Consult your financial aid administrator for the specific filing deadlines and other details in applying for college-level assistance.

HOW TO USE THIS APPLICATION BOOKLET

1. Separate the application from the booklet by tearing on the perforated lines. Remove the return envelope by tearing on the perforation.
2. Carefully read all the information in this booklet starting on page 1. **Be sure to read "Information on the Privacy Act and Use of Your Social Security Number" on page 17.**
3. Complete the application section by section. Follow instructions beginning on page 3 of the booklet. Failure to complete the application according to the instructions will cause a delay in processing.
4. Print carefully, so that your form will be easy to read. Use a pen with dark ink; don't use a pencil.
5. If a question asks for an amount and your answer is "none", enter zero. If the question does not apply, enter zero. If the instructions tell you to skip a question, leave it blank. Round off dollar amounts to the nearest dollar. For 50 cents or more round up, for 49 cents or less round down.
6. **Be sure to include all the necessary signatures on the application.**
7. Return only the completed application in the envelope provided. Be sure to place the proper postage on the envelope. Do **NOT** return the booklet instructions, letters, tax forms, worksheets or any extra material in the envelope. **THEY WILL BE DESTROYED.**
8. [redacted]

DON'T SIGN OR SUBMIT THIS APPLICATION BEFORE JANUARY 1, 1991.

WARNING:

You must fill out this form accurately. **The information which you supply can be checked** by your college or by the U.S. Department of Education. You may be asked to provide U.S. income tax returns, the worksheets in this booklet and other information. If you don't or can't provide these records, you may not get Federal or State aid. If you get Federal or State student aid based on incorrect information, you will have to pay it back, you may also have to pay fines and fees. If you purposely give **false or misleading information** on your application form, you may be fined $10,000, receive a prison sentence, or both. If you get a grant from TSAC by giving incorrect information, State laws say you may have to repay any amount of money received from a State grant plus be fined and/or imprisoned.

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Eligibility Requirements ↓	Pell Grants	Stafford Loans	Supplemental Educational Opportunity Grants (SEOG)	College Work Study (CWS)	Perkins Loans
Undergraduate	Yes	Yes	Yes	Yes	Yes
Graduate	No	Yes	No	Yes	Yes
At least half-time	Yes*	Yes	Yes*	Yes*	Yes*
Must pay back	No	Yes	No	No	Yes
Must be a U.S. citizen or eligible noncitizen	Yes	Yes	Yes	Yes	Yes
Must be registered with the Selective Service (if required)	Yes	Yes	Yes	Yes	Yes
Must have financial need	Yes	Yes	Yes	Yes	Yes
Must attend a participating school	Yes	Yes	Yes	Yes	Yes
Must be working toward a degree or certificate	Yes	Yes**	Yes	Yes	Yes
Must be making satisfactory academic progress	Yes	Yes	Yes	Yes	Yes
Must not be in default or owe a refund on a Federal grant or educational loan	Yes	Yes	Yes	Yes	Yes
Having a Bachelor's degree makes applicant ineligible	Yes	No	Yes	No	No
Conviction of drug distribution or possession may make student ineligible	Yes	Yes	Yes	Yes	Yes

* In some cases, students going to school less than half-time may be eligible. Check with your financial aid administrator.

** In some cases, students don't have to be in a degree or certificate program. Check with your financial aid administrator.

The information on this page will answer some of your questions about these programs. However, for more information on Federal student financial aid, see **"Additional Information On The Federal Student Financial Aid Programs"** on page 11. The instructions in this booklet will tell you what information you have to provide on the form. If you have any questions after you have read the instructions, seek help. Talk to your high school counselor or the financial aid administrator at the school you want to attend.

We must ***receive*** your form by May 1, 1992. State programs and schools may have ~~earlier deadlines~~ you will have to meet. You should apply as early as possible. Mailing in your form is only the first step in applying for Federal and State student aid.

4/6

Sent

INSTRUCTIONS

FOR GOLD SHADED AREAS **FOR GRAY SHADED AREAS**

BEFORE YOU BEGIN TO FILL OUT THE FORM, TEAR IT OUT OF THE BOOKLET AND LAY IT ALONGSIDE THE INSTRUCTIONS SO THAT YOU CAN CHECK FOR ADDITIONAL INSTRUCTIONS AS YOU GO ALONG.

The **GOLD** and **GRAY** areas indicate which instructions are for which questions. **Read the instructions as you fill out this form.** Mistakes will delay the processing of your application.

Some instructions appear on the form itself. Since those questions are self-explanatory, no additional instructions are provided. Where additional information is necessary, you will find it in this instruction booklet.

The instructions for this form will usually answer questions that you have. If you need more help, contact your high school guidance counselor or your college financial aid administrator.

Although other people (besides the student who is applying for aid) may help fill out this form, it is about the student. On this form, the words "you" and "your" always mean the student. The word "college" means a college, university, graduate or professional school, vocational or technical school, or any other school beyond high school.

"Student financial aid" means money from educational loans, grants, and scholarships. It also means earnings from the College Work-Study Program or other earnings you received based on your financial aid administrator's determination of your financial need.

Records You Will Need

Get together these records for yourself and your family:

- 1990 U.S. income tax return (IRS Form 1040, 1040A, or 1040EZ)
- 1990 State and local income tax returns
- W-2 forms and other records of money earned in 1990
- Records of untaxed income, such as welfare, social security, AFDC or ADC, or veterans benefits
- Current bank statements
- Current mortgage information
- Records of medical or dental bills that were paid in 1990
- Business and farm records
- Records of stocks, bonds, and other investments

Keep these records!

Won't file a tax return. Even if you and your spouse or your parents file no income tax return for 1990, you will need to know earnings for the year. You may also need records showing the amount of other income you are to report on your application.

Tax return not completed yet. If you, your spouse, and/or your parents haven't completed a 1990 U.S. income tax return but will be filing one, **we recommend that you complete your return before filling out this application.** Knowing what will be on your tax return will help you to fill out this application accurately. When your application is compared with the official 1990 IRS Form 1040, 1040A, or 1040EZ that is filed for you and your family, the financial information must agree. If there are **any** errors, you will have to correct the information and send it back to the U.S. Department of Education. If this happens, it will take longer to determine whether you are eligible for Federal student aid. It could mean a delay in getting your student financial aid.

If you, your spouse, and/or your parents filed (or will file) a **"Foreign Tax Return"** or are a **"Native American,"** see page 11.

When You Fill Out This Form

- Use a pen with black or dark ink; don't use a pencil.
- Print carefully, so that your form will be easy to read.
- Round off figures to the nearest dollar. For 50 cents or more, round up; for 49 cents or less, round down.

Section A: Yourself

Write in this section information about you, the student who is applying for aid.

2. Write in the address where you will be receiving mail. All mail will be sent to this address. Don't use the address of the financial aid office or any other office. Use the State/Country abbreviations list below.

State/Country Abbreviations

AL Alabama	KS Kansas	NM New Mexico	VA Virginia
AK Alaska	KY Kentucky	NY New York	WA Washington
AS American Samoa	LA Louisiana	NC North Carolina	WV West Virginia
AZ Arizona	ME Maine	ND North Dakota	WI Wisconsin
AR Arkansas	MD Maryland	OH Ohio	WY Wyoming
CA California	MA Massachusetts	OK Oklahoma	
CO Colorado	MI Michigan	OR Oregon	CN Canada
CT Connecticut	MN Minnesota	PA Pennsylvania	FM Federated States of Micronesia
DE Delaware	MS Mississippi	PR Puerto Rico	
DC District of Columbia	MO Missouri	RI Rhode Island	
FL Florida	MT Montana	SC South Carolina	MH Marshall Islands
GA Georgia	NE Nebraska	SD South Dakota	
GU Guam	NV Nevada	TN Tennessee	MX Mexico
HI Hawaii	NH New Hampshire	TX Texas	MP Northern Mariana Islands
ID Idaho	NJ New Jersey	UT Utah	
IL Illinois		VT Vermont	
IN Indiana		VI Virgin Islands	PW Palau

If your place of residence is not included above, leave the State abbreviation blank and write the name of your city and territory or country in the space for city.

4. Write in the two-letter abbreviation for your current State/Country of legal residence. Use the State/Country abbreviations list above.

6. Write in your birth date. For example, if you were born on July 5, 1972, you would write in:

0 7 — 0 5 — 7 2
Month Day Year

7. If you are a U.S. citizen (or U.S. national), check the first box and go on to question 8. Check the second box and write in your eight or nine digit Alien Registration Number if you are one of the following:

- U.S. permanent resident, and you have an Alien Registration Receipt Card (I-151 or I-551)

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- Other eligible noncitizen with a Departure Record (I-94) from the U.S. Immigration and Naturalization Service showing any one of the following designations: (a) "Refugee"; (b) "Asylum Granted"; (c) "Indefinite Parole" and/or "Humanitarian Parole"; (d) "Cuban-Haitian Entrant."

- Other eligible noncitizen with a Temporary Resident Card (I-688).

If you are a citizen of the Marshall Islands, Federated States of Micronesia, or Palau, see your financial aid administrator.

If you cannot check the first or second box, you **must** check the third box. If you are in the U.S. on only an F1 or F2 student visa, only a J1 or J2 exchange visitor visa, or only a G series visa (pertaining to international organizations), you must check the third box.

9. Check your year in college from July 1, 1991 to June 30, 1992.

10. Check "No" if you do not have a Bachelor's degree and you will not have one by July 1, 1991.

    Check "Yes" if you already have a Bachelor's degree or will have one by July 1, 1991. Also, check "Yes" if you have or will have a degree from a university in another country that is equal to a Bachelor's degree.

Section B: Student Status

Answer question 11. A blank counts as "No."

11. **a.** Check the correct box. (See your answer to question 6.)

    b. Check "Yes" if you are a veteran of active service in the U.S. Army, Navy, Air Force, Marines or Coast Guard. Also check "Yes" if you are **not** a veteran **now** but will be one by June 30, 1992.

    Check "No" if you are or were:

    - never in the U.S. Armed Forces
    - only an ROTC student,
    - only a cadet or midshipman at one of the service academies,
    - only a National Guard or Reserves enlistee, **or**
    - currently serving in the U.S. Armed Forces and will continue to serve through June 30, 1992.

    c. Check "Yes" if (1) both your parents are dead **and** you don't have an adoptive parent or legal guardian, or (2) if you are currently a ward of the court. For a definition of a **"Legal Guardian,"** see page 11. Otherwise check "No."

    d. Check "Yes" if you have any children who get more than half of their support from you. Also check "Yes" if other people live with you and get more than half of their support from you and will continue to get that support during the 1991-92 school year. *(Don't include your spouse.)* Otherwise check "No."

"Parents" in questions 12, 14a-14e, and 15 means your mother and/or father, or your adoptive parents, or legal guardian. "Parents" does not mean foster parents and, for this section, it does not mean stepparent. Later, the instructions will tell you if you should supply information about your stepparents.

Unmarried Undergraduate Students Only

12. If your parents claimed you as an exemption on their 1989 and/or will do so on their 1990 income tax return, you must answer "Yes." If your parents are divorced or separated, answer "Yes" if either of your parents claimed you as an income tax exemption in 1989 and/or will do so on their 1990 income tax return. Otherwise check "No."

13. Check the box that best describes when you first received Federal student aid, ***beginning with the 1987-88 school year*** (July 1, 1987 - June 30, 1988). *Check only one box: a, b, c, d, or e.*

Federal student aid includes:

- Pell Grant,
- Stafford Loan/Guaranteed Student Loan (GSL), including Supplemental Loans for Students (SLS)
- Supplemental Educational Opportunity Grant (SEOG),
- College Work-Study (CWS),
- Perkins Loan/National Direct Student Loan (NDSL), **or**
- State Student Incentive Grant (SSIG). These grants often have other names such as Student Incentive Grants, Incentive Grants, Tuition Grants, etc.

Below are some examples to help you answer question 13:

EXAMPLE #1 : Buck Bundy received Federal student aid in the 1986-87 and 1987-88 school years. Therefore, Buck should check box "a." Even if Buck had received Federal student aid in the 1985-86 and 1987-88 school years, he should still check box "a," because the first school year (beginning with 1987-88) in which he received Federal student aid is 1987-88.

EXAMPLE #2 : Jeff Akbar ***first*** received Federal student aid in the 1988-89 school year. Therefore, Jeff should check box "b."

EXAMPLE #3 : Wu Lin ***first*** received Federal student aid in the 1989-90 school year. Therefore, Wu should check box "c."

EXAMPLE #4 : Kate Murphy ***first*** received Federal student aid in the 1990-91 school year. Therefore, Kate should check box "d."

EXAMPLE #5 : Vickie Tingley received Federal student aid in the 1986-87 school year and has not received Federal student aid since then. Therefore, Vickie should check box "e."

EXAMPLE #6 : Joaquin Rodriguez has never received Federal student aid. Therefore, Joaquin should check box "e."

14a - 14e. When figuring your resources in questions 14a, 14b, 14c, 14d, **or** 14e be sure to include:

- wages, salaries, and tips, etc.,
- interest income and dividend income,
- any student financial aid (except PLUS loans),
- personal long term cash loans used for educational purposes, **and**
- any other income and benefits (such as veterans cash benefits, fellowships, etc.)

Don't include any resources from your parents such as money that you earned from them or gifts that you received from them.

Married or Graduate/Professional Students Only

15. If your parents will claim you as an exemption on their 1991 income tax return, you must answer "Yes."

You must see your college financial aid administrator before completing the rest of this form if:

- you answered "No" to all of the questions in 11 but after answering questions 12 through 14, or 15 you were told to fill out the gray and the white areas, **and**
- you were not required to provide parental information in 1990-91, **and**
- you were claimed by any person, other than your spouse, as a tax exemption in 1990.

Important instructions for Sections C, D, E, F, G, and I

Parents' information - gold areas

Read the descriptions below. Check the box that is true for you and follow the instructions.

❑ **Your parents are both living and married to each other.** Answer the questions on the rest of the form about them.

❑ **You have a legal guardian.** Answer the questions on the rest of the form about your **"Legal Guardian."** For a definition of "Legal Guardian" see page 11.

❑ **Your parents have divorced or separated.** Answer the questions on the rest of the form about the parent you lived with most in the last 12 months. For example, if you lived with your mother most, answer the questions about her, and not about your father. If you did not live with one parent more than with the other in the last 12 months, answer in terms of the parent who provided the most financial *support* during that time. If neither parent provided greater financial support during the last 12 months, answer in terms of the parent who provided the greater support during the most recent calendar year. *(Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, payment of college costs, etc.)*

❑ **Your parent is widowed or single.** Answer the questions on the rest of the form about that parent.

If you have a stepparent, if the parent that you counted above has married or remarried, you must include information about your stepparent (even if they were not married in 1990).

If you are giving information about your stepparent, note that whenever we say "parents" on the rest of the form, we also mean your stepparent.

Section C: Household Information

Your parents' household information - gold area

16. Show the current marital status of the people that you give information about on this form. For example, if you give information about your mother and stepfather, check the box that says "married," because your mother and stepfather are married.

17. Write in the two-letter abbreviation for your parents' current State/Country of legal residence. See the list of State/Country abbreviations under the instructions for question 2.

18. Write in the number of people that your parents will support between July 1, 1991 and June 30, 1992. Include your parents and yourself. Include your parents' other children if they get more than half of their *support* from your parents. Also include them if they would be required to provide parental information when applying for Federal student aid for the 1991-92 school year. Include other people only if they now live with and get more than half of their support from your parents and will continue to get this support between July 1, 1991 and June 30, 1992. *(Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, payment of college costs, etc.)*

19. Write in the number of people from question 18, including yourself, who will be going to college between July 1, 1991 and June 30, 1992. Include only students enrolling for at least 6 credit hours per term. If the school uses clock hours, include only students attending at least 12 clock hours per week.

Your (& your spouse's) household information - gray area

Fill out this section with information about yourself (and your spouse). If you are divorced, separated, or widowed, don't include information about your spouse.

20. Write in the number of people that you will support between July 1, 1991 and June 30, 1992. Include yourself and your spouse. Include your children if they get more than half of their support from you. Include other people only if they meet the following criteria:
    - they now live with you, **and**
    - they now get more than half of their support from you **and** they will continue to get this support between July 1, 1991 and June 30, 1992.

21. Write in the number of people from question 20, including yourself, who will be going to college between July 1, 1991 and June 30, 1992. Include only students enrolling for at least 6 credit hours per term. If the school uses clock hours, include only students attending at least 12 clock hours per week.

Section D: Your parents' 1990 income, earnings, and benefits

If the instructions tell you to skip a question, leave it blank. If your answer to any other question is "none" or "zero," put a zero in the answer space. **Don't** leave it blank or use dashes. For example:

$ 0 .00

If your parents filed (or will file) a **"Foreign Tax Return"** or a **Puerto Rican tax return,** see page 11.

22. **1990 U.S. income tax figures**

From a completed return. Check only one box to indicate which IRS Form was filed. Use this tax return to answer questions 23 through 28.

Estimated. Check the correct box if your parents have not yet filed but will file a 1990 U.S. income tax return. Use their financial records to answer questions 23 through 28. For these questions, you must write in the figures that will be on the tax return. Filling out a 1990 U.S. income tax return will help you answer these questions.

A tax return will not be filed. Check this box if your parents will not file a 1990 U.S. income tax return. Don't answer questions 23 through 25. Skip to question 26.

If you are giving information for only one parent and that parent filed (or will file) a joint tax return for 1990, give only that parent's portion of the exemptions and income asked for in questions 23 through 28.

If your parents are married and they filed (or will file) separate tax returns for 1990, be sure to include both parent's exemptions and income in questions 23 through 28.

23. **Total number of exemptions for 1990.** Write in the number from Form 1040, line 6e or 1040A, line 6e. If your parent used the 1040EZ and he or she checked "Yes" in question 4 of that form, write in "00." Otherwise, write in "01."

Important: See the table below for some of the types of student financial aid that you should exclude from income and taxes in questions 24 through 28.

Student Financial Aid	Exclude if based on need	Exclude if not based on need
Grants, Scholarships or Fellowships	Yes	Yes
Earnings from a work program including Assistantships	Yes	No
Loans	Yes	Yes

24. **Adjusted Gross Income (AGI) for 1990. Don't include** any income or capital gains from the sale of a business or farm, if the sale resulted from a voluntary or involuntary foreclosure, forfeiture, or bankruptcy or involuntary liquidation.

Use worksheet #1 on page 12 to answer question 24 if you cannot get a 1990 tax form, but will be filing one.

25. **U.S. income tax paid for 1990.** Make sure this amount doesn't include any FICA, self-employment, or other taxes. **Don't** copy the amount of "Federal income tax withheld" from a W-2 Form.

26. **Income earned from work in 1990.**

&

27. **If you skipped questions 23 through 25,** include your parents' earnings from work in 1990. Add up the earnings from your parents' W-2 forms and any other earnings from work that are not included on the W-2.

If you answered questions 23 through 25, include the "wages, salaries, tips, etc." from your parents' Form 1040, line 7; 1040A, line 7; or 1040EZ, line 1. If your parents filed a joint return, report your father's and mother's earnings separately. If your parents own a business or farm, also add in the numbers from Form 1040, lines 12 and 19.

28. **Untaxed income and benefits for 1990.**

28a. **Social security benefits for 1990.** Write in the amount of untaxed social security benefits (including Supplemental Security Income) that your parents got in 1990. Don't include any benefits reported in question 24. Don't report monthly amounts; write in the total for 1990. Be sure to include the amounts that your parents got for you and their other children.

28b. **Aid to Families with Dependent Children (AFDC or ADC) for 1990.** Don't report monthly amounts; write in the total for 1990. Don't report social security benefits.

28c. **Child support received for all children.** Include the student. Don't report monthly amounts; write in the total for 1990.

28d. **Other untaxed income and benefits for 1990.** Add up your parents' untaxed income and benefits for 1990. Use worksheet #2 on page 12. Be sure to include your parent's earned income credit and deductible IRA/KEOGH payments, if any.

Everyone must answer the questions in the Student (& Spouse) column in Section D.

Section D: Your (& your spouse's) 1990 income, earnings and benefits

If the instructions tell you to skip a question, leave it blank. If your answer to any other question is "none" or "zero," put a zero in the answer space. **Don't** leave it blank or use dashes. For example:

$ 0 .00

If you (or your spouse) filed (or will file) a "**Foreign Tax Return**" or a **Puerto Rican tax return**, see page 11.

22. **1990 U.S. income tax figures**

From a completed return. Check only one box to indicate which IRS Form was filed. Use this tax return to answer questions 23 through 28.

Estimated. Check the correct box if you (and your spouse) have not yet filed but will file a 1990 U.S. income tax return. Use your financial records to answer questions 23 through 28. For these questions, you must write in the figures that will be on the tax return. Filing out a 1990 U.S. income tax return will help you answer these questions.

A tax return will not be filed. Check this box if you (and your spouse) will not file a 1990 U.S. income tax return. Don't answer questions 23 through 25. Skip to question 26.

If you are divorced, separated, or widowed, and you filed (or will file) a joint tax return for 1990, give only your portion of the exemptions and income asked for in questions 23 through 28.

If you are married and you and your spouse filed (or will file) separate tax returns for 1990, be sure to include both your and your spouse's exemptions and income in questions 23 through 28, even if you were not married in 1990.

23. **Total number of exemptions for 1990.** Write in the number from Form 1040, line 6e or 1040A, line 6e. If you used the 1040EZ and you checked "Yes" in question 4 of that form, write in "00." Otherwise write in "01."

Important: See the table (on the next page) for some of the types of student financial aid that you should exclude from income and taxes in questions 24 through 28.

Student Financial Aid	Exclude if based on need	Exclude if not based on need
Grants, Scholarships or Fellowships	Yes	Yes
Earnings from a work program including Assistantships	Yes	No
Loans	Yes	Yes

24. **Adjusted Gross Income (AGI) for 1990. Don't include** any income or capital gains from the sale of a business or farm, if the sale resulted from a voluntary or involuntary foreclosure, forfeiture, or bankruptcy or involuntary liquidation.

Use worksheet #1 on page 12 to answer question 24 if you cannot get a 1990 tax form, but will be filing one.

25. **U.S. income tax paid for 1990.** Make sure this amount doesn't include any FICA, self-employment, or other taxes. **Don't** copy the amount of "Federal income tax withheld" from a W-2 Form.

26. **Income earned from work in 1990.**

&

27. **If you skipped questions 23 through 25,** include your (and your spouse's) earnings from work in 1990. Add up the earnings from your (and or your spouse's) W-2 forms and any other earnings from work that are not included on the W-2.

If you answered questions 23 through 25, include the "wages, salaries, tips, etc." from your (and your spouse's) Form 1040, line 7; 1040A, line 7; or 1040EZ, line 1. If you (and your spouse) filed a joint return, report your and your spouse's earnings separately. If you (and your spouse) own a business or farm, also add in the numbers from Form 1040, lines 12 and 19.

28. **Untaxed income and benefits for 1990.**

Don't include benefits reported in questions 28a, 28b, 28c, and 28d of the parent column.

28a. **Social security benefits for 1990.** Write in the amount of untaxed social security benefits (including Supplemental Security Income) that you (and your spouse) got in 1990. Don't include any benefits reported in question 24. Don't report monthly amounts; write in the total for 1990. Be sure to include the amounts that you got for your children.

28b. **Aid to Families with Dependent Children (AFDC or ADC) for 1990.** Don't report monthly amounts; write in the total for 1990. Don't report social security benefits.

28c. **Child support received for all children.** Don't report monthly amounts; write in the total for 1990.

28d. **Other untaxed income and benefits for 1990.** Add up your (and your spouse's) untaxed income and benefits for 1990. Use worksheet #2 on page 12. Be sure to include your (and your spouse's) earned income credit and deductible IRA/KEOGH payments, if any.

Section E: College Release and Certification

29. Write in the **complete** name, city, and State of the college(s) that you will **most likely** be going to during the 1991-92 school year. In 29a, write in the name and address of your first college choice. In 29b, write in the name and address of your second college choice. In 29c, write in the name and address of your third college choice. Do not use abbreviations for the name or address of the college. If the college you may be going to is a branch campus, be sure to include the complete name of the branch. Refer to the school code list at the end of these instructions and enter the appropriate code(s). If the school is not listed, please leave school code blank. Enter a housing code for each college listed (1=with parents, 2=campus housing, 3=off-campus housing). If you don't know yet which college(s) you are most interested in, you may leave this question blank.

30. Your responses to the questions in item 30 (and item 31) determine to whom the information you supply on this form will be provided. A "No" response may delay the determination of your eligibility or prevent you from being considered for all the assistance for which you might otherwise be eligible.

30a. Check "Yes" if you give us permission to send information from this form to the U.S. Department of Education for use in determining eligibility for the Pell Grant, SEOG, CWS, Perkins Loan or Stafford Loan Programs. Check "No" if you don't want to be considered for any of these Federal student assistance programs.

30b. Check "Yes" if you give us permission to send information from this form to the college(s) (or its representative) that you listed in question 29a, 29b, and 29c. Check "No" if you don't want us to send information from this form to the college(s) (or its representative) that you listed in question 29a, 29b, and 29c. This may delay the availability of your institutional financial aid award.

30c. Check "Yes" if you give us permission to send information from this form to the financial aid agencies in your State. Check "No" if you don't want us to send information from this form to the financial aid agencies in your State. This may delay or preclude consideration for State assistance programs.

31. If you checked "Yes" to question 30a, the Department of Education (ED) is permitted by regulation to provide your name, address, social security number, date of birth, Pell Grant Index (PGI), Family Contribution (FC), student status, year in college, and State of legal residence to the college(s) (or its representative) that you listed in questions 29a, 29b or 29c, even if you check "No" to question 30b. This information will also go to the State agency in your State of legal residence to help coordinate State financial aid programs with Federal student aid programs, even if you check "No" to question 30a. However, no additional information such as income information will be sent if you check "No" to questions 30a or 30b.

31a. Check "Yes" if you give ED permission to send information from this form to the financial aid agencies in your State. Some State agencies ask this information. They may use it to help decide whether you will get a State award and to check to see if you reported correct information on your State student aid application. Check "No" if you don't want ED to send information from this form to the financial aid agencies in your State. If you check "No", any State aid you might be eligible for may be delayed, but it will have no effect on your Federal aid.

31b. Check "Yes" if you give ED permission to send information

from this form to the college(s) (or its representative) that you listed in questions 29a, 29b or 29c. Many colleges use this information to help estimate the amount of your financial aid package. Check "No" if you don't want ED to send information from this form to the college(s) (or its representative) that you listed in questions 29a, 29b or 29c.

32. **Selective Service Registration**

In order to receive Federal student aid, you must be registered with Selective Service if:

- you are a male who is at least 18 years old and born after December 31, 1959.

Check the box **only** if you:

- are a male and are 18 through 25 years of age, **and**
- have not yet registered with Selective Service, **and**
- give Selective Service permission to register you.

If you believe that you are not required to be registered, call the Selective Service at 1-800-621-5388 for information regarding exemptions. NOTE: If you wish to register with Selective Service using this form, you must give permission for CSX to send your AFSSA to the U.S. Department of Education. You can do this by checking "Yes" in question 30a.

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Read and sign

You must sign this form. If you don't sign this form, it will be returned unprocessed. If you are married, your spouse must sign this form. If you filled out the and the **WHITE** areas, at least one of your parents must also sign this form. **Everyone signing this form is certifying that all information on the form is correct** and that they are willing to provide documents to prove that the information is correct. Such documents may include U.S., State, or local tax returns. Any AFSSA dated or received before January 1, 1991 will be returned unprocessed.

Sending In Your Form

If you are filling out the and **WHITE** areas, complete worksheet #3A. If you are filling out the **GRAY** and **WHITE** areas, complete worksheet #3B. The worksheet will tell you whether you need to provide additional information.

If after completing worksheet #3A or #3B, you were not required to complete Sections F through I, if applicable, double check your form to make sure it is complete and accurate. Be sure it has the necessary signatures.

Put the form in the envelope provided in this booklet. Don't send money. Don't put letters, tax forms, worksheets, or any extra materials in the envelope. **They will be destroyed.**

Instructions for the Supplemental Information

Section F: Your parents' 1990 expenses

Don't leave any of these questions blank. If a question doesn't apply to you, write in "0."

33. **Medical and dental expenses in 1990 not paid by insurance.** Write in the amount of money that your parents **paid** in 1990 for medical and dental expenses (include insurance premiums). Don't include amounts covered by insurance or self-employed health deductions from Form 1040, line 26. If your parents itemized deductions on their 1990 U.S. income tax return, write in the amount from Form 1040, Schedule A, line 1.

34. **Elementary, junior high, and high school tuition paid in 1990.**

34a. Write in the amount of money that your parents **paid** in 1990 for elementary, junior high, and high school tuition for family members who were included in question 18. (Tuition doesn't include room, board, books, transportation, etc.) **Don't include** tuition paid by scholarships. Also, don't include tuition that your parents paid for you or any tuition for preschool or college.

34b. Write in the number of dependent children for whom the amount listed in 34a was paid in 1990. **Don't include** yourself (the student) **or** any person who was not included in question 18.

Section F: Your (& your spouse's) 1990 expenses

Don't leave any of these questions blank. If a question doesn't apply to you, write in "0."

33. **Medical and dental expenses in 1990 not paid by insurance.** Write in the amount of money that you (and your spouse) **paid** in 1990 for medical and dental expenses (include insurance premiums). Don't include amounts covered by insurance or self-employed health deductions from Form 1040, line 26. If you (and your spouse) itemized deductions on your 1990 U.S. income tax return, write in the amount from Form 1040, Schedule A, line 1.

34. **Elementary, junior high, and high school tuition paid in 1990.**

34a. Write in the amount of money that you (and your spouse) **paid** in 1990 for elementary, junior high, and high school tuition for family members who were included in question 20. (Tuition doesn't include room, board, books, transportation, etc.) **Don't include** tuition that you paid for **yourself**, tuition paid by scholarships, **or** any tuition paid for preschool or college.

34b. Write in the number of dependent children for whom the amount listed in 34a was paid in 1990. **Don't include** yourself, or any person who was not included in question 20.

Section G: Your parents' assets

Don't leave any of these questions blank. If a question doesn't apply to you, write in "0."

You must give information about your parents' assets in Section G. If you are giving information for only one parent and that parent has jointly owned assets, give only that parent's portion of the assets and debts. If your parents have assets owned jointly with someone else, give only your parents' portion of the assets and debts.

In Section G, **don't include**:

- Personal or consumer loans, or any debts that are not related to the assets listed.

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- The value of retirement plans (pension funds, annuities, IRAs, Keogh Plans, etc.)
- Student financial aid

35. Check "Yes" if either of your parents (for whom you are providing information) meets **all** of the following descriptions for a displaced homemaker:

- your parent has not worked full time in the labor force for a substantial number of years (e.g., approximately five years or more) but has, during those years, worked in the home providing unpaid services for family members; **and**
- your parent has been dependent on public assistance or on the income of another family member but is no longer receiving that income, or your parent is receiving public assistance because of dependent children in the home; **and**
- your parent is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.

"Unemployed" means not working this week but being available for work. To qualify, your parent must have made specific efforts to get a job sometime during the last four weeks.

"Underemployed" means working part time even though your parent wants full time employment. It refers to a condition where work is slack or only part time work is available.

Check "No" if neither of your parents meets **all** the descriptions mentioned above.

36. Write in the age of the older parent for whom you gave information on this form.

38. **Home.** If your parents own a home, write in how much the home is worth. Use the price your parents could reasonably expect to receive for their home if it went on sale **today**. **Don't** use assessed, insured, or taxed value. A "home" includes a house, mobile home, condominium, etc. If your parents are renters, write in "0."

Then, write in how much your parents owe on the home, including the present mortgage and related debts on the home. *(Don't include interest due.)* Check with the mortgage company if you don't know.

39. **Other real estate and investments.** If your parents own other real estate *(including rental property, land, second or summer homes)* or have investments, write in how much they are worth **today**. Investments include trust funds, money market funds, mutual funds, certificates of deposit, stocks, bonds, other securities, installment and land sale contracts *(including mortgages held)*, commodities, precious and strategic metals, etc.

Then, write in how much your parents owe on other real estate and investments.

40. **Business and farm.** If your parents own a business and/or farm, write in how much the business and/or farm are worth today. Include the value of land, buildings, machinery, equipment, livestock, inventories, etc. Don't include the home. *(Home value and debt should be given in question 38.)*

Then, write in what your parents owe on the business and/or farm. Include only the present mortgage and related debts for which the business and/or farm were used as collateral.

If your parents are not the sole owners, write in only their share of the total value and debt.

Section G: Your (& your spouse's) assets

Don't leave any of these questions blank. If a question doesn't apply to you, write in "0."

You must give information about your (and your spouse's) assets in Section G. If you are divorced or separated and you and your spouse have jointly owned assets, give only your portion of the assets and debts. If you (and your spouse) have assets owned jointly with someone else, give only your (and your spouse's) portion of the assets and debts. Be sure to give information about assets held in trust for you (and your spouse).

In Section G, **don't include**:

- Personal or consumer loans, or any debts that are not related to the assets listed.
- The value of retirement plans (pension funds, annuities, IRAs, Keogh Plans, etc.)
- Student financial aid.

35. Check "Yes" if you or your spouse meets **all** of the following descriptions for a displaced homemaker:

- you or your spouse has not worked full time in the labor force for a substantial number of years (e.g., approximately five years or more) but has, during those years, worked in the home providing unpaid services for family members; **and**
- you or your spouse has been dependent on public assistance or on the income of another family member, but is no longer receiving that income, or you or your spouse is receiving public assistance because of dependent children in the home; **and**
- you or your spouse is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.

"Unemployed" means not working this week but being available for work. To qualify, you or your spouse must have made specific efforts to get a job sometime during the last four weeks.

"Underemployed" means working part time even though you want or your spouse wants full time employment. It refers to a condition where work is slack or only part time work is available.

Check "No" if neither you nor your spouse meets **all** of the descriptions mentioned above.

38. **Home.** If you (and or your spouse) own a home, write in how much the home is worth. Use the price you could reasonably expect to receive for the home if it went on sale **today**. **Don't** use assessed, insured, or taxed value. A "home" includes a house, mobile home, condominium, etc. Renters, write in "0."

Then, write in how much you (and/or your spouse) owe on the home, including the present mortgage and related debts on the home. *(Don't include interest due.)* Check with the mortgage company if you don't know.

39. **Other real estate and investments.** If you (and/or your spouse) own other real estate *(including rental property, land, second or summer homes)* or have investments, write in how much they are worth **today**. Investments include trust funds, money market funds, mutual funds, certificates of deposit, stocks, bonds, other securities, installment and land sale contracts *(including mortgages held)*, commodities, precious and strategic metals, etc.

Then, write in how much you (and/or your spouse) owe on other real estate and investments.

40. **Business and farm.** If you (and/or your spouse) own a business and/or farm, write in how much they are worth **today**. Include the value of land, buildings, machinery, equipment, livestock, inventories, etc. Don't include the home. *(Home value and debt should be given in question 38.)*

Then, write in what you (and/or your spouse) owe on the business and/or farm. Include only the present mortgage and related debts for which the business and/or farm were used as collateral.

If you (and your spouse) are not the sole owners, write in only your (and your spouse's) share of the total value and debt.

Section H: Your 1991-92 veterans educational benefits per month *(for the student only)*

42. **Your veterans Dependents Educational Assistance Program benefits.**

42a. Write in the amount of veterans Dependents Educational Assistance Program (Chapter 35) benefits that you expect to get per month **from July 1, 1991 through June 30, 1992**. **Don't include** Death Pension, or Dependency & Indemnity Compensation (DIC).

42b. Write in the number of months **from July 1, 1991 through June 30, 1992** that you expect to get those benefits.

43. **Your Veterans Contributory Benefits (VEAP).**

43a. Write in the amount of Veterans Contributory Benefits (Chapter 32) that you expect to get per month **from July 1, 1991 through June 30, 1992**. *(Include both the Government and student portions.)* **Don't include** Death Pension, or Dependency & Indemnity Compensation (DIC).

43b. Write in the number of months **from July 1, 1991 through June 30, 1992** that you expect to get those benefits.

Section I: Your parents' expected 1991 taxable and nontaxable income and benefits

How to figure expected amounts

This section asks about income and benefits that your parents expect to get. If your parent is divorced, separated, or widowed, don't include information about the other parent. Answer these questions as accurately as you can. If a question doesn't apply, or your parents don't expect to get any income or benefits from that source, write in "0."

44. Check "Yes" if either of your parents (for whom you are providing information) is currently certified as a **"Dislocated Worker"** (see page 11) by the appropriate State agency.

If you checked "Yes," you may be asked to document your parent's status as a dislocated worker.

Check "No" if neither of your parents is certified as a dislocated worker. Skip to question 44 in the Student (& Spouse) column.

Important: See the table on page 6 for the kinds of income and taxes to leave out of Section I.

45. and **46. 1991 income earned from work.** Include wages, salaries, and tips. See **Important** note above.

47. **1991 other taxable income.** Write in the total amount of other taxable income that your parents will report on their 1991 IRS Form 1040, 1040A, or 1040EZ. Include interest and dividend income and any other taxable income. **Don't** include any unemployment compensation or any income that you reported in questions 45 and 46.

48. **1991 U.S. income tax to be paid.** Write in the amount of income taxes that your parents expect to pay in 1991. Make sure this amount doesn't include any FICA, self employment, or other taxes.

49. **1991 nontaxable income and benefits.** These are the same types of income and benefits that were asked for in questions 28a, 28b, 28c, and 28d.

Section I: Your (& your spouse's) expected 1991 taxable and nontaxable income and benefits

How to figure expected amounts

This section asks about income and benefits that you (and your spouse) expect to get. If you are divorced, separated, or widowed, don't include information about your spouse. Answer these questions as accurately as you can. If a question doesn't apply to you, or if you don't expect to get any income or benefits from that source, write in "0."

44. Check "Yes" if you or your spouse is currently certified as a **"Dislocated Worker"** (see page 11) by the appropriate State agency.

If you checked "Yes," you may be asked to document your status (or that of your spouse) as a dislocated worker.

Check "No" if neither you nor your spouse is certified as a dislocated worker. Skip the rest of this section.

Important: See the table on page 7 for the kinds of income and taxes to leave out of Section I.

45. and **46. 1991 income earned from work.** Include wages, salaries, and tips. See **Important** note above.

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47. **1991 other taxable income.** Write in the total amount of other taxable income that you (and your spouse) will report on your 1991 IRS Form 1040, 1040A, or 1040EZ. Include interest and dividend income and any other taxable income. **Don't** include any unemployment compensation or any income that you reported in questions 45 and 46.

48. **1991 U.S. income tax to be paid.** Write in the amount of income taxes that you and your spouse expect to pay in 1991. Make sure this amount doesn't include any FICA, self-employment, or other taxes.

49. **1991 nontaxable income and benefits.** These are the same types of income and benefits that were asked for in questions 28a, 28b, 28c, and 28d.

Sending In Your Form

If you are applying only for Federal student aid, other than a Stafford Loan, you have finished the application. Double-check your form to make sure it is complete and accurate. Be sure it has the necessary signatures.

Put the form in the envelope provided in this booklet. Don't send money. Don't put letters, tax forms, worksheets, or any extra materials in the envelope. **They will be destroyed.**

If you are applying for institutional or state aid as well as Federal aid (including a Stafford Loan), you may be required to complete the remaining sections of this form. Check with your financial aid administrator to determine the school's requirements.

Special Instructions/Definitions

Dislocated Worker. To be considered a dislocated worker, you must be currently certified as one by a State agency such as your local Employment Service or Job Service. This certification is done in accordance with Title III of the Job Training Partnership Act. A dislocated worker generally means a person who:

- has been terminated or laid off or has received a notice of termination or lay-off;
- has been terminated or received a notice of termination as a result of permanent closure of a plant or other facility; **or**
- was self-employed (including farmers) but is now unemployed because of poor economic conditions in the community or a natural disaster.

Foreign Tax Return. If you and your spouse, or your parents, **won't** be filing a U.S. income tax return in 1990 (for example, Puerto Rican tax filers), follow the instructions below.

- In question 22, check the box "completed 1990 IRS Form 1040" (if a foreign tax return has been filed), **or** "estimated 1990 IRS Form 1040" (if a foreign tax return **will** be filed).
- use the information from that tax return to fill out this form.
- convert all figures to U.S. dollars, using the exchange rate that is in effect **today**; and
- fill out the Supplemental Information (Sections F-I).

Legal Guardian. A legal guardian is a person who a court has:

- appointed to be your legal guardian and this legal relationship will continue after June 30, 1992; **and**
- directed to support you with his or her own financial resources.

Native American. If you are a Native American, report the amount of income and assets over $2,000 per individual payment that you and your spouse or your parents received in 1990 from the Per Capita Act or the Distribution of Judgment Funds Act. If $2,000 or less per individual payment was received from either of these Acts, don't report it. Don't report funds received as an award under the Alaska Native Claims Settlement Act or the Maine Indian Claims Settlement Act. Also, don't report any assets received from the Alaska Native Claims Settlement Act.

Additional Information On The Federal Student Financial Aid Programs

Do All Schools Take Part In The Federal Student Financial Aid Programs?

No. More than 8,600 schools do take part in one or more of them. Contact your school's financial aid administrator to find out which Federal programs your school participates in.

Where Can I Get More Information On Federal Student Financial Aid?

This booklet gives you only a brief summary of the student financial aid programs offered by the U.S. Department of Education. Each student financial aid program has its own special features and procedures. You can get more information from the booklet **The Student Guide: Financial Aid from the U.S. Department of Education: Grants, Loans, and Work-Study, 1991-92**. To get a free copy, write to:

Federal Student Aid Information Center
P.O. 84
Washington, D.C. 20044

What Happens After I Mail In My Form?

Within four to six weeks after you mail in your form, CSX (under contract to the U.S. Department of Education) will send you a **Student Aid Report** (SAR). On the SAR will be either a request for further information or numbers called a **Pell Grant Index** (PGI) and a **Family Contribution** (FC). We use formulas established by law to figure these numbers from the information you give us. Your school or the U.S. Department of Education may ask you to prove that the information you give on your application is true.

What Is My Pell Grant Index (PGI)?

The PGI is a number that tells whether you may be able to get a Pell Grant. If you are eligible for a Pell Grant, your school will use this number to determine the amount of your award. Even if you don't qualify for a Pell Grant, you may still qualify for one or more of the other Federal programs. Be sure to ask your financial aid administrator if your school needs any additional information from you for these other programs.

What Is My Family Contribution (FC)?

The FC is a number that helps your financial aid administrator determine if you are able to get one of the several available forms of assistance. These include Stafford Loan, SEOG, CWS, and Perkins Loan. Your school will use this number to determine the amount of your grant, loan or work-study award.

What Happens If I Don't Get A SAR Or I Need Another Copy Of My SAR?

If you don't get a SAR within four to six weeks, or you need another copy of your SAR, write to:

Federal Student Aid Programs
c/o CSX Commercial Services, Inc.
P.O. Box 53178
Jacksonville, FL 32201

Give your name, address, social security number, and date of birth. Be sure to ask for another copy of your **1991-92 SAR**. If your address has changed since you sent in your application, be sure to give us both your old and your new address. Be sure to sign your letter.

What If My Situation Changes?

- Questions 11, 15, 18, 19, 20, and 21 ask you to make projections for the upcoming year. If your answers to these questions change, **wait** until you receive your SAR and then see your financial aid administrator.
- The income and expenses information that you give must be accurate. They must match what is or will be on your 1990 income tax forms. If your financial situation has recently changed, contact your financial aid administrator.

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Worksheet #1

	For question 24 Parents	For question 24 Student Spouse
Wages, salaries, tips, etc.	$ .00	$ .00
Interest income	+ .00	+ .00
Dividends	+ .00	+ .00
Other taxable income (alimony received, business and farm income, capital gains, pensions, annuities, rents, unemployment compensation, social security, Railroad Retirement, and all other taxable income— **see the tables on pages 6 and 7 and the instructions for question 24**)	+ .00	+ .00
Add all of the numbers in the column	= .00	= .00
Subtract IRS allowable adjustments to income (payments to IRA and Keogh Plans, interest penalty on early withdrawal of savings, and alimony paid)	- .00	- .00
TOTAL - This is your answer for question	**#24** $ .00	**#24** $ .00

Worksheet #2

	For question 28d Parents	For question 28d Student Spouse
Amounts from IRS tax forms		
Deductible IRA and/or Keogh payments from Form 1040 total of lines 24a, 24b, and 27 or 1040A line 15c	$ .00	$ .00
Earned income credit from Form 1040 line 57 or 1040A line 29b	+ .00	+ .00
Untaxed portions of pensions from Form 1040 line 16a minus 16b and 17a minus 17b or 1040A line 10a minus 10b and 11a minus 11b (excluding "rollovers")	+ .00	+ .00
Credit for Federal tax on special fuels from Form 1040 line 60	+ .00	+ .00
Foreign income exclusion from Form 2555 line 39	+ .00	+ .00
Tax exempt interest income from Form 1040 line 8b or 1040A line 8b	+ .00	+ .00
Other Untaxed Income and Benefits		
Payments to tax deferred pension and savings plans (paid directly or withheld from earnings). Include untaxed portions of 401(k) and 403(b) plans	+ .00	+ .00
Welfare benefits (except AFDC or ADC which you should have reported in question 28b)	+ .00	+ .00
Workers' Compensation	+ .00	+ .00
Veterans noneducational benefits such as Death Pension, Dependency & Indemnity Compensation (DIC), etc.	+ .00	+ .00
Housing, food, and other living allowances (excluding rent subsidies for low income housing) paid to members of the military, clergy, and others (including cash payments and cash value of benefits)	+ .00	+ .00
Cash support or any money paid on your behalf, including support from a non-custodial parent	XXXXXXXXX	+ .00
Any other untaxed income and benefits, such as Black Lung Benefits, Refugee Assistance, untaxed portions of Railroad Retirement Benefits, or Job Training Partnership Act noneducational benefits	+ .00	+ .00
TOTAL - This is your answer for question	**#28d** $ .00	**#28d** $ .00

Don't include:

- Social security
- Any income reported elsewhere on the form
- Money from student financial aid
- Food stamps
- Gifts and support, other than money, received from friends or relatives
- Veterans educational benefits (GI Bill, Dependents Educational Assistance Program, VA Vocational Rehabilitation Program, VA Contributory Benefits, etc.)
- "Rollover" pensions

We urge you to keep these worksheets. Don't send them in with your application form. You may be asked to refer to them later to verify the information on your application. (It may also help you to show that your SAR is accurate.)

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Instructions for Additional Information Needed by TSAC

The Tennessee Student Assistance Corporation (TSAC) is a nonprofit organization established by the Tennessee General Assembly to further postsecondary educational opportunity for residents of Tennessee. The TSAC administers the Tennessee Student Assistance Award (TSAA) Program, the Stafford Loan Program, the Parent Loan for Undergraduate Students (PLUS) Program, Supplement Loan for Students (SLS) Program, Teacher Loan/Scholarship, Tennessee Academic Scholars Program, Paul Douglas Teacher Scholarship Program, and the Minority Teaching Fellows Program.

This AFSSA may be used to initiate consideration for the Stafford Loan Program and the Tennessee Student Assistance Award (TSAA) Program. Information and instructions follow.

IMPORTANT: TSAC consideration, as well as that of most Tennessee institutions, requires completion of Sections F through I, even if those sections are not required for federal purposes.

Section J: Stafford Loan (formerly GSL)

Answering these questions now may avoid unnecessary delays in getting the financial aid you may need later. Answering the questions in this section does not commit you to accept a Stafford Loan, nor does it guarantee that you are eligible for a Stafford Loan. It simply provides most colleges with the information they need to offer you a complete package of financial aid resources that you can either accept or reject.

50 Check **"Yes"** if you would like to be considered for a **Stafford Loan.**

51 Complete the following worksheet to answer this question. Include only Stafford Loans or Federal Insured Student Loans (FISL). If you have attended more than one college, include all Stafford Loans or GSLs you received at each college. If you received more than one loan during a school year, be sure to include the total amount borrowed for that year. If you have made any payments, enter the unpaid balance of your loans, rather than the amount borrowed. If you have never received a Stafford Loan, or if you have repaid all your Stafford Loans or GSLs, write in "0".

WORKSHEET #4

YEAR IN SCHOOL	UNPAID LOAN AMOUNT
1st year	$ _____.00
2nd year	+ _____.00
3rd year	+ _____.00
4th year	+ _____.00
5th year or more (undergraduate)	+ _____.00
Graduate or professional (1st year and beyond)	+ _____.00
TOTAL UNPAID BALANCE	**$**

(This is your answer to question 51a)

51b through 51e - These questions refer to your last Stafford Loan. Skip these questions if you answered "NO" in question 51.

52 Include loans you received for educational expenses from any person, governmental agency, or organization except the U.S. Department of Education or TSAC.

53 Check **"Yes"** if you have **defaulted** on a previous **student loan.** Stafford Loan (formerly GSL), ALAS, FISL, SLS, PLUS or Perkins Loan (formerly NDSL).

54 Check **"Yes"** if you owe a repayment on a State or Federal grant. Otherwise, check **"No".**

55 Check **"Yes"** if you have ever filed for bankruptcy.

56 Student's home telephone number. List the telephone number at your permanent residence. A student living with his or her parents must list the parents' telephone number.

57 Write in your driver's license number, if you have a driver's license, and the state in which it was issued. (Use the State abbreviations list below question 2 on page 3.)

58 Enter **maiden or previous name**, if applicable.

59 Indicate your expected graduation date.

60 Enter the largest amount you would be willing to borrow to attend school this year. If you qualify for a Stafford Loan, you may borrow up to $2,625 for each of your first two years of undergraduate study and up to $4,000 for each additional undergraduate level.

Graduate and professional students may borrow up to $7,500 for each academic level. (Following question 63 are details of the Stafford Loan program including interest rates, fees, repayments and responsibilities.)

61 Write in your expected dates of attendance **from July 1, 1991 to June 30, 1992.** List the month and year your classes begin and the month and year your classes end for the 1991-92 academic year.

62 Check your expected enrollment status for the 1991-92 academic year. Check only **one** box.

63 If you have a previous Stafford Loan, or have already discussed a loan with a TSAC approved lender, enter the **lender's name, address, and/or code number.** You may leave this question blank. See the list of TSAC approved lenders provided.

STAFFORD LOANS
formerly GUARANTEED STUDENT LOANS

Stafford Loans are low interest loans made to you by a lender such as a bank, credit union, or savings and loan association. **YOU MUST REPAY THIS MONEY.** These loans are for both undergraduate and graduate students who are going to school at least half time. (Note: The information you provide on this form serves two purposes. It helps TSAC determine your need for a Stafford Loan. It also begins the application process. Be sure to complete **all** questions.)

LOAN AMOUNTS: The academic year loan limits are: 1. $2,625 for the first and second level of undergraduate study. 2. $4,000 for subsequent levels of undergraduate study. 3. $7,500 for graduate and professional students. The **aggregate** loan limits are: 1. $17,250 for undergraduate students. 2. $54,750 for graduate and professional students (this includes undergraduate borrowing).

NEED ANALYSIS: All Stafford Loan applicants will be subject to a need analysis. The loan may not be more than the educational expenses minus financial aid minus the family contribution. The loan amount may not be more than the amount recommended by the school.

INTEREST RATES: The base rate of interest for Stafford Loans is either 7%, 8%, 9% or 8.10%. The interest rate is determined by the beginning enrollment period and any outstanding Stafford Loan balance. A student who has an outstanding 7% or 9% loan [illegible] continue to borrow at that interest rate. The interest rate is 8% for perso[illegible] which began on or after September 13, 1983. For new borrowers with no outstanding balance after 7-1-88, the interest rate will be 8% for the first 4 years of repayment and 10% per year thereafter.

ORIGINATION FEE: The Federal Government charges an Origination Fee for each loan disbursed. The fee will be deducted from the proceeds of the loan before the lender disburses the check to the student's school.

FEDERAL INTEREST BENEFITS: Interest is paid by the Federal Government while the student continues to be enrolled in school at least half time and during the grace period (if the student chooses to use the grace period).

STAFFORD LOAN PROCESSING: If you respond 'Yes' to question 50, a TSAC Application/Promissory Note will be preprinted and sent directly to you or your 1st choice Tennessee school. If you and your financial aid officer agree you need a loan, you will be asked to provide any additional information required and sign the Application/Promissory Note. The school will then certify your eligibility and forward your request to the lender of your choice. If the request is approved, the lender will submit the application to TSAC for guarantee and, if granted, funds will be forwarded to your school.

APPROVED LENDERS: Loans are made by participating banks, savings and loan associations and credit unions. A list of eligible lenders is included in the TSAC Application for Federal and State Student Aid (AFSSA). 'Eligible' status does not require the lender to honor every request submitted.

APPROVED SCHOOLS: Most accredited colleges, universities, schools of nursing and trade and technical schools in the U.S. are eligible. Some educational institutions in foreign countries are also eligible.

REPAYMENT OF LOAN: The student must contact the lending institution within 5 months after ceasing at least half time study to arrange for the repayment of the loan, whether or not the student has graduated. For 8% and 9% loans, payments of not less than $50.00 per month must begin within 7 months after graduation or ceasing at least half time study. For 7% loans, payments must begin within 10 months after graduation or ceasing at least half time study. The usual repayment period will be approximately 60 months. The maximum repayment period is 120 months.

DEFERMENT OF REPAYMENT: There are certain authorized periods during which a student may qualify for a deferment of payments of principal (loan amount). The student should contact the lender for more information.

REVIEW OF RESPONSIBILITIES:

1. The student must use the loan funds only for the educational expenses certified by the school's financial aid administrator. The student faces prosecution if the funds are used for any other purposes.

2. The student must report any changes in status immediately to the lender, in order to keep the account current and to prevent a possible default. These include changes in name, address, school or enrollment status. The student must answer promptly any questionnaire sent by the lender, the school or the state.

3. The student must contact the lender within 30 days after ceasing to be at least a half time student. This must be done to arrange for the repayment of the loan.

WARNING: Failure to repay the loan will result in an adverse credit rating, possible garnishment of wages, lien on property and possible litigation.

Section K: Tennessee Student Assistance Award Program

64 Enter the code from the list below for the Tennessee college you are most likely to attend in 1991-92.

SCHOOL CODE LIST

261 American Baptist College	005 Maryville College
021 Aquinas Junior College	114 McKenzie Area Voc-Tech School
101 Athens Area Voc-Tech School	053 McKenzie College
014 Austin Peay State University	115 Mcminnville Area Voc-Tech School
013 Belmont College	070 Medical Career College
012 Bethel College	116 Memphis Area Voc-Tech School
136 Bryant College, Chattanooga	021 Memphis College of Art
131 Bryant College, Memphis	011 Memphis State University
035 Bryant College, Nashville	052 Methodist Hospital, School of Nursing
032 Bristol University	324 Middle Tennessee State University
005 Bryan College	033 Miller-Motte Business College
135 Career Care College of Business	130 Miller Motte Business College
018 Carson-Newman College	060 Milligan College
051 Chattanooga State Technical College	067 Wm. R. Moore School of Technology
102 Chattanooga Area Voc-Tech School	117 Morristown Area Voc-Tech School
045 Christian Brothers University	050 Motlow State Community College
251 Cleveland State Community College	118 Murfreesboro Area Voc-Tech School
052 Columbia State Community College	119 Nashville Area Voc-Tech School
073 ConCorde Career Institute	053 Nashville Auto Diesel College
103 Covington Area Voc-Tech School	176 Nashville College
004 Crichton College	006 Nashville State Technical Institute
106 Crossville Area Voc-Tech School	120 Newbern Area Voc-Tech School
129 Cumberland School of Technology	071 Northeast State Tech Comm College
042 Cumberland University	121 Oneida Area Voc-Tech School
052 David Lipscomb University	122 Paris Area Voc-Tech School
054 Dawson Technical College	075 Pellissippi State Community College
105 Dickson Area Voc-Tech School	057 Phillips Junior College
061 Draughons Junior College, Bristol	082 Princeton Technical Institute
046 Draughons Junior College, Chattanooga	123 Pulaski Area Voc-Tech School
133 Draughons Junior College, Clarksville	061 Rhodes College
038 Draughons Junior College, Johnson City	100 Rice College, Knoxville
040 Draughons Junior College, Kingsport	032 Rice College, Memphis
072 Draughons Junior College, Knoxville	124 Ripley Area Voc-Tech School
027 Draughons Junior College, Memphis	064 Roane State Community College
023 Draughons Junior College, Nashville	083 St. Joseph Hospital, School of Nursing
256 Dyersburg State Community College	125 Savannah Area Voc-Tech School
023 East Tennessee State University	062 Shelby State Community College
051 Edmondson Junior College	126 Shelbyville Area Voc-Tech School
137 Electronic Computer Programming Inst	035 Southern College of SDA
155 Elizabethton Area Voc-Tech School	057 State Technical Institute at Memphis
030 Fisk University	066 Tennessee Institute of Electronics
088 Freed-Hardeman University	065 Tennessee State University
090 John A. Gupton College	090 Tennessee Technological University
107 Hamblen Area Voc-Tech School	017 Tennessee Temple University
108 Hartsville Area Voc-Tech School	025 Tennessee Wesleyan College
077 Health Care Training Institute, Memphis	016 Tomlinson College
035 Hiwassee College	058 Trevecca Nazarene College
109 Holmesdale Area Voc-Tech School	047 Tusculum College
110 ITT Technical Institute	054 Union University
110 Jacksboro Area Voc-Tech School	071 University of the South
111 Jackson Area Voc-Tech School	University of Tennessee, Center for Health Sciences, Memphis
015 Jackson State Community College	039 Nursing and Allied Health
026 Johnson Bible College	070 Pharmacy
063 King College	053 University of Tennessee, Chattanooga
112 Knoxville Area Voc-Tech School	038 University of Tennessee, Knoxville
096 Knoxville Business College	037 University of Tennessee, Martin
010 Knoxville College	074 Vanderbilt University
016 Lane College	063 Volunteer State Community College
025 Lee College	051 Walters State Community College
098 LeMoyne-Owen College	064 West Tennessee Business College
034 Lincoln Memorial University	127 Whiteville Area Voc-Tech School
113 Livingston Area Voc-Tech School	
041 Martin Methodist College	Undergraduate Programs

88 Self explanatory

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66. Enter your two digit county code number representing your home county in Tennessee. See county codes listed below to complete this item. NOTE: IF YOUR HOME COUNTY IS OUTSIDE TENNESSEE USE THE CODE 00.

COUNTY CODE LIST

01	Anderson	25	Fentress	49	Lauderdale	73	Rhea
02	Bedford	26	Franklin	50	Lawrence	74	Robertson
03	Benton	27	Gibson	51	Lewis	75	Rutherford
04	Bledsoe	28	Giles	52	Lincoln	76	Scotty
05	Blount	29	Grainger	53	Loudon	77	Sequatchie
06	Bradley	30	Greene	54	McMinn	78	Sevier
07	Campbell	31	Grundy	55	McNairy	79	Shelby
08	Cannon	32	Hamblen	56	Macon	80	Smith
09	Carroll	33	Hamilton	57	Madison	81	Stewart
10	Carter	34	Hancock	58	Marion	82	Sullivan
11	Cheatham	35	Hardeman	59	Marshall	83	Sumner
12	Chester	36	Hardin	60	Maury	84	Tipton
13	Claiborne	37	Hawkins	61	Meigs	85	Trousdale
14	Clay	38	Haywood	62	Monroe	86	Unicoi
15	Cocke	39	Henderson	63	Montgomery	87	Union
16	Coffee	40	Henry	64	Moore	88	Van Buren
17	Crockett	41	Hickman	65	Morgan	89	Warren
18	Cumberland	42	Houston	66	Obion	90	Washington
19	Davidson	43	Humphreys	67	Overton	91	Wayne
20	Decatur	44	Jackson	68	Perry	92	Weakley
21	DeKalb	45	Jefferson	69	Pickett	93	White
22	Dickson	46	Johnson	70	Polk	94	Williamson
23	Dyer	47	Knox	71	Putnam	95	Wilson
24	Fayette	48	Lake	72	Rhea		

67. Self explanatory.

TENNESSEE STUDENT ASSISTANCE AWARD PROGRAM

A Tennessee Student Assistance Award is a nonrepayable grant to assist undergraduate students in financing a postsecondary education.

Any Tennessee resident who is a U.S. citizen and is enrolled or will be enrolled as an undergraduate student in an eligible Tennessee postsecondary institution may apply. Eligible Tennessee postsecondary institutions are listed on page 14.

By law, Assistance Awards may range from a minimum of $54 to a maximum of $2,500. The maximum award payable in 1991-92 will be decided by the TSAC Board of Directors prior to the beginning of the 1991 fall term. No student, however, will receive an award greater than the amount of tuition and mandatory fees assessed by the institution attended.

A student's financial need is determined in the same manner as for a Pell Grant. The Pell Grant formula is used to calculate an index of the family's ability to pay educational expenses. If the index (Pell Grant Index) is 1900 or less, a student is determined to have financial need for the Tennessee Student Assistance Award.

A determination of financial need does not necessarily mean that a student will receive an award. If the money appropriated by the Tennessee General Assembly is insufficient to help all eligible students, those whose Pell Grant Index is lowest will receive awards.

HOW DOES A STUDENT APPLY?

1. An applicant and/or the applicant's family must complete EITHER this form, the Tennessee Family Financial Statement (FFS) processed by the American College Testing Program, or the Tennessee Financial Aid Form (FAF) processed by the College Scholarship Service. All 3 are available from high school counselors, college financial aid officers, or the TSAC.

2. Read the instructions carefully and complete the form accordingly. BE SURE TO ANSWER THE SPECIAL TENNESSEE QUESTIONS!

3. A Tennessee Student Assistance Award applicant must also apply and be eligible for a Pell Grant. To do so, indicate in question 30a that information contained thereon may be released to the U.S. Department of Education.

4. To be given priority, applicants should apply after 1990 income tax data is available (January 1, 1991 or later) and **early enough so that the completed AFSSA may be processed and received by the TSAC by August 1, 1991**. Applications received after August 1, 1991 will be given consideration only if funds later become available. (ALLOWING 4-6 WEEKS FOR PROCESSING WOULD REQUIRE A MID-JUNE MAILING TIME.)

5. Be certain that every item is completed correctly. Reread the information supplied, review the TSAC and Pell Grant questions carefully. INCOMPLETE INFORMATION MAY RESULT IN YOUR APPLICATION NOT BEING PROCESSED OR IN A DECLARATION OF INELIGIBILITY. Mail the AFSSA in the self-addressed envelope attached.

TSAC announces awards as applications are processed. Applicants who cannot be assisted are also notified as applications are processed. Awards are for the academic year and are paid in equal amounts each quarter or semester. Payment is made after the institution certifies to TSAC that the student is enrolled and continues to meet the award criteria. Students must reapply each year for an award.

WHAT ARE TSAC'S AWARD USE AND CONTINUATION POLICIES?

1. **Educational Purpose**

   Award recipients must use Assistance Awards for educational related expenses. A recipient to whom credit has been extended during the enrollment process must give first priority to the liquidation of that obligation before using the proceeds of the award to defray other educational expenses.

2. **Satisfactory Progress**

   Awards are subject to recipients maintaining satisfactory progress according to the standards and practices of the educational institution. An award recipient may generally receive awards for: (1) a 4-year program, up to 8 semesters or 12 quarters; (2) a 3 year program, up to 6 semesters or 9 quarters; (3) a 2 year program, up to 4 semesters or 6 quarters; (4) a 1 year program, up to 2 semesters or 3 quarters; and (5) a 6 month program, up to 1 semester or 2 quarters, or until completion of the program of study, whichever comes first.

3. **Award Revision**

   Tennessee Student Assistance Award amounts are tentative. Awards may be revised upward or downward by your Financial Aid Officer depending upon your eligibility. Reasons for an adjustment include, but are not limited to:

   a. *Overawards*
   The TSAA is one of several government funded programs of financial aid for college students. A variety of privately funded programs are also available, as well as the assistance many parents are able to provide their children. To avoid duplication, TSAC policy requires educational institutions enrolling award recipients to certify that each recipient's aid, when combined with his or her other resources, does not exceed the cost of attending the institution. If a situation arises in which a student's aid and resources exceed his or her cost of attendance, the Financial Aid Officer at the institution must reduce or cancel an award to prevent an overaward.

   b. *Change in Pell Grant Index (PGI)*
   The TSAA is based on a student's PGI assigned by the Pell Grant Program, and the tuition and mandatory fees assessed at his or her institution. When the Financial Aid Officer receives adjustments to the PGI on file with the TSAC, the office is required to

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adjust the award accordingly.

c. *Part time Enrollment*
TSAAs are based on full time enrollment. If a student is taking less than a full-time load, his or her TSAA will be adjusted according to the tuition and mandatory fees, and his or her PGI. Students carrying less than a half time load are not eligible for TSAA payment.

d. *Early Withdrawal*
Award recipients who withdraw prior to the completion of the term may have a portion of the award paid in accordance with the institution's published refund policy.

4 Pell Grant Eligibility

A student must have applied to Pell Grant for the academic year during which the student is to receive the TSAA and have a valid Student Aid Report on file at the postsecondary institution to be attended.

5 Award Transfer

An award recipient may transfer an award from one educational institution to another eligible institution, if a request is made in writing to TSAC. To be approved, a transfer request must be received by:

- September 1st for fall term
- December 20th for winter quarter/spring semester
- March 20th for spring quarter

6 Availability of Funds

The Tennessee Student Assistance Award Program is funded by a combination of state and federal appropriations. Should these appropriations be reduced by state or federal authorities from amounts thought to be available when award letters were mailed, some award recipients could have their awards canceled. Such an event is unlikely, but should it occur, awards will be canceled for those students whose Pell Grant Index (PGI) is the highest, continuing down the Pell Grant Index scale, until program expenditures match the appropriations actually available.

7. Corrections

If you have to correct your financial aid data through your Student Aid Report, a corrected copy will be sent to TSAC. In order to receive priority consideration, you must have your corrections processed by 7-1-91. Corrections processed after 7-1-91 are subject to the availability of funds.

Section L: Additional Information Needed by Tennessee Institutions

IMPORTANT: Check with the school(s) of your choice for their filing deadlines, which are probably earlier than the May 1, 1991 date for Federal programs.

68. Self-explanatory.

69. Enter the year you did or expect to graduate from high school (or receive a GED).

70. and **71.** Self-explanatory.

72. The financial aid office will award you any grant and scholarship aid(s) to which you are entitled. To fill the remainder of your financial need, a serious response indicating your preference for self-help is very important.

73. Check the statement that best describes your enrollment classification at the beginning of the 1991-92 academic year.

74. This information will enable the financial aid office to more accurately determine your eligibility for certain types of funds for each period of anticipated enrollment.

75. Write in the major course of study in which you expect to be enrolled during the 1991-92 academic year.

76., 77., 78., and 79. This information will assist the financial aid office determine the appropriate type and amount of self-help.

80. Self-explanatory.

81. Indicate any prior work experience or work preference you might have.

82., 83., and 84. Self-explanatory.

If you have any questions, please contact your college financial aid office or TSAC.

Call or Write

Tennessee Student Assistance Corporation
404 James Robertson Parkway, Suite 1950
Nashville, Tennessee 37243-0820

(615) 741-1346
or
1-800-342-1663

Send your completed application to TSAC (see #4 below):

1. **DO NOT SIGN OR SUBMIT THIS FORM BEFORE JANUARY 1, 1991.**

2. Make sure all needed signatures are on the form.

3. Double check all information. Make sure it is correct. Make sure it is easy to read. **Make a photocopy for your records.**

4. Put the completed signed form in the enclosed envelope and mail to:

Tennessee Student Assistance Corporation
AFSSA Processing Center
c/o CSX Commercial Services, Inc.
P. O. Box 53495
Jacksonville, FL 32201

5. **Send NO money - processing is free to you.**

6. SEND NO LETTERS, WORKSHEETS OR TAX FORMS. IF MORE INFORMATION IS NEEDED, YOUR SCHOOL OR TSAC WILL ASK FOR IT LATER. SENDING THEM NOW WILL DELAY PROCESSING.

7. Put the proper postage on the envelope. The postal service will not deliver mail without postage.

8. Keep this booklet and photocopy of the submitted form, together with all the material you used to complete this application. The TSAC, your school, or the U.S. Department of Education may ask you for a clarification.

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INFORMATION ON THE PRIVACY ACT AND USE OF YOUR SOCIAL SECURITY NUMBER

The Privacy Act of 1974 requires that each Federal agency that asks for your social security number or other information must tell you the following:

1. Its legal right to ask for the information and whether the law says you must give it.

2. What purpose the agency has in asking for it and how it will be used.

3. What could happen if you do not give it.

You must give your social security number (SSN) to apply for Federal student financial aid. The U.S. Department of Education's legal right under the Title IV programs to require that you provide us with your social security number is based on Sections 484(a)(4) of the Higher Education Act of 1965, as amended. The SSN is used under the Pell Grant, Supplemental Educational Opportunity Grant, and College Work-Study programs in recording information about your college attendance and progress, and in making sure that you have received your money. The SSN is also used under the Stafford Loan and Perkins Loan programs to identify the applicant to determine program eligibility and benefits and to permit servicing and collecting of the loans.

If you are applying for Federal student aid only, you must fill out everything except questions 29, 30, and 31. If you skip question 30 we will count your answer as "No" for both parts of that question. If you are applying for a Pell Grant only, you can skip question 5, 36 and 43.

The authority to request all other information (except the SSN) is based on sections 411A, 411B, 411C, 411D, 411F, 474, 475, 476, 477, 479, and 480 of the Higher Education Act of 1965, as amended. This information is used to determine the amount of Federal student aid for which you may be qualified.

The information which you supplied may be disclosed to third parties that the Department has authorized to assist in administering Federal student aid programs. This disclosure may include private firms that the Department contracts with for the purpose of collating, analyzing, totalling or refining records in the system and who are required to maintain safeguards under the Privacy Act. This may also be accomplished through computer matching programs such as the ones currently conducted with the Selective Service System and the Immigration and Naturalization Service.

We will provide your name, address, social security number, date of birth, student aid indices, student status, year in college, and State of legal residence to the college(s) that you list in question 29a, 29b, and 29c (or its representative), even if you check "No" in question 30b. This information will also go to the State agencies in your State of legal residence to help coordinate State financial aid programs with Federal student aid programs. We will provide calculations and determination of eligibility to the agency with which you filed a student aid application, or another similar agency, if you request us to do so. That agency may also release information received from the Department to colleges, State Scholarship agencies, and loan guarantee agencies that you have designated to receive information. Also, we may send information to members of Congress if you ask them to help you with Federal student aid questions. If your parents or your spouse provided information on the form they may also request to see all the information on the application.

If the Federal government, the Department, or an employee of the Department is involved in litigation, we may send information to the Department of Justice, or a court or adjudicative body, if the disclosure is related to financial aid and certain other conditions are met. The information may also be made available to Federal agencies which have the authority to subpoena other Federal agencies' records. In addition, we may send your information to a foreign, Federal, State, or local enforcement agency if the information that you submitted indicates a violation or potential violation of law, for which that agency has jurisdiction for investigation or prosecution. Finally, we may send information regarding a claim which is determined to be valid and overdue to a consumer reporting agency. This information includes identifiers from the record, the amount, status and history of the claim and the program under which the claims arose.

Remember, we must receive your application by May 1, 1992.

Tennessee School Code List

NOTE: SCHOOL CODES THAT BEGIN WITH A '0' MUST BE WRITTEN TO INCLUDE THE '0'
FOR QUESTION 29a, 29b, or 29c. EXAMPLE: 0 9 9 9 9 9

CODE	NAME	CITY
016066	Academy of Cosmetology	Memphis
023371	Alliance Tractor Trailer Training Center	Lebanon
017798	Anna's Beauty College	Memphis
019460	American Bapt Theo Sem Col of Bible	Nashville
003477	Aquinas Junior College	Nashville
015827	Arnolds Beauty School	Milan
017368	Artistic School of Cosmetology	Johnson City
003478	Austin Peay State University	Clarksville
003479	Belmont College	Nashville
003480	Bethel College	McKenzie
016530	Bobbie's Sch of Beauty Arts	Athens
019808	Brainerd College Chattanooga	Chattanooga
016651	Brainerd College Nashville	Nashville
009237	Bristol University	Bristol
003536	Bryan College	Dayton
005259	CareerCom College of Business	Knoxville
003481	Carson Newman College	Jefferson City
003998	Chattanooga State Technical C.C.	Chattanooga
003482	Christian Brothers University	Memphis
021883	Church of God Sch of Theo	Cleveland
003999	Cleveland State Community College	Cleveland
003483	Columbia State Community College	Columbia
025705	Commercial Driver Institute, Inc.	Murfreesboro
015510	ConCorde Career Institute	Memphis
025212	Court Reporting Institute of Tenn	Nashville
009982	Crichton College	Memphis
003485	Cumberland University	Lebanon
003486	David Lipscomb University	Nashville
015301	Davidson Technical College	Nashville
004933	Draughons Jr. College Knoxville	Knoxville
004932	Draughons Jr. College Memphis	Memphis
004934	Draughons Jr. College Nashville	Nashville
006835	Dyersburg State Community College	Dyersburg
005996	East Tenn Bapt Hosp Sch of Xray Tech	Knoxville
008820	East Tenn State Univ All Campuses	Johnson City
003488	East Tenn State University Bristol	Bristol
008050	East Tenn State Univ Cen Office	Johnson City
003489	East Tenn State Univ Kingsport	Kingsport
003487	East Tenn State University	Johnson City
024823	East Tenn Univ Col of Med	Johnson City
004935	Edmondson Jr. College	Chattanooga
015575	Elec Computer Prog Inst	Chattanooga
012547	Emmanuel School of Religion	Johnson City
015677	Erlanger Sch Nurs Anesthesiology	Chattanooga
025890	Fayetteville Beauty School	Fayetteville
003490	Fisk University	Nashville
003492	Freed Hardeman University	Henderson
016052	Hair Academy	Knoxville
013893	Hartsville Area Voc Tech	Hartsville
014256	Health Care Training Institute	Memphis
013651	Helena Dye & Fishery	Nashville
003494	Hiwassee College	Madisonville
021084	IBA College of Cosmetology	Memphis
016063	International Barber & Style	Madison
016761	ITT Technical Institute	Nashville
021769	Jackson State Area Voc Tech	Jackson
004937	Jackson State Community College	Jackson
015072	Jeff Col of Cosm. & Barbering	Memphis
016074	Jeff College of Cosmetology	Millington
008859	John R. Gupton College	Nashville
003495	Johnson Bible College	Knoxville
003496	King College	Bristol
004938	Knoxville Business College	Knoxville
003497	Knoxville College	Knoxville
014651	Knoxville Inst of Hair Design	Knoxville
003498	Lambuth College	Jackson
003499	Lane College	Jackson
003501	LeMoyne Owen College	Memphis
003506	Lee College	Cleveland
003502	Lincoln Memorial University	Harrogate
016484	Lynmar Beauty Academy	Columbia
003504	Martin Methodist College	Pulaski
003505	Maryville College	Maryville
025916	McCallum & Ross The Hair School	Jackson
004702	McKenzie College	Chattanooga
021447	Medical Career College	Nashville
024517	Meharry Med Col Sch of Med	Nashville
003508	Meharry Medical College	Nashville
003507	Memphis Academy of Arts	Memphis
013509	Memphis State University	Memphis
013529	Memphis Theological Seminary	Memphis
008600	Methodist Hosp Sch of Nursing	Memphis
009564	Mid South School of Beauty	Memphis
021825	Mid South School of Beauty	Memphis
008655	Middle Tennessee Beauty School	Cookeville
003510	Middle Tennessee State University	Murfreesboro
001783	Middle Tn Sch of Anesthesia	Madison
004940	Miller-Hawkins Business College	Clarksville
026142	Miller-Motte Business College	Clarksville
003511	Milligan College	Milligan College
006836	Morristown State Community College	Tullahoma
016014	Mr. Wayne's Sch Unisex Hair Design	Cookeville
007440	Nashville Auto Diesel College	Nashville
013531	Nashville College	Madison
007534	Nashville State Technical Inst	Nashville
021604	New World College of Beauty	Nashville
005376	Northeast State Tech Institute	Blountville
017347	Nossi School of Art	Madison
014663	O'More College of Design	Franklin
016540	Pazazz Hair School	Memphis
016184	Pazazz Hair School	Jackson
012693	Pellissippi State Tech Comm Coll	Knoxville
015468	Phillips Junior College	Memphis
010447	Plaza Beauty School	Memphis
014651	Princeton Technical Institute	Knoxville
017068	Queen City Hair College	Clarksville
003519	Rhodes College	Memphis
004939	Rice College	Memphis
009914	Roane State Community College	Harriman
015439	Shelby State Community College	Memphis
023262	Southeastern Paralegal Institute	Nashville
003517	Southern College of Optometry	Memphis
003518	Southern College of SDA	Collegedale
006003	St. Joseph Hosp Sch of Xray Tech	Memphis
006603	St. Mary's Med Ctr Sch of Nursing	Knoxville
029574	St. Mary's Med Ctr Sch of Nursing	Knoxville
015606	Stage One The Hair School	Memphis
005358	State Area Voc Tech Athens	Athens
013890	State Area Voc Tech Chattanooga	Chattanooga
005180	State Area Voc Tech Covington	Covington
029807	State Area Voc Tech Covington	Covington
004026	State Area Voc-Tech Crossville	Crossville
013955	State Area Voc Tech Dickson	Dickson
005281	State Area Voc Tech Elizabethton	Elizabethton
013894	State Area Voc Tech Harriman	Harriman
013893	State Area Voc Tech Hartsville	Hartsville
014126	State Area Voc Tech Hohenwald	Hohenwald
010790	State Area Voc Tech Jacksboro	Jacksboro
013895	State Area Voc Tech Jackson	Jackson
005308	State Area Voc Tech Knoxville	Knoxville
004025	State Area Voc Tech Knoxville	Knoxville
005353	State Area Voc Tech Livingston	Livingston
005352	State Area Voc Tech McKenzie	McKenzie
005307	State Area Voc Tech McMinnville	McMinnville
005356	State Area Voc Tech Memphis	Memphis
013891	State Area Voc Tech Morristown	Morristown
014543	State Area Voc Tech Murfreesboro	Murfreesboro
013958	State Area Voc Tech Nashville	Nashville
005283	State Area Voc Tech Newbern	Newbern
009715	State Area Voc Tech Oneida	Oneida
013943	State Area Voc Tech Paris	Paris
008464	State Area Voc Tech Pulaski	Pulaski
012164	State Area Voc Tech Ripley	Ripley
005351	State Area Voc Tech Savannah	Crump
014126	State Area Voc Tech Shelbyville	Shelbyville
014304	State Area Voc Tech Whiteville	Whiteville
007105	State Tech Institute at Memphis	Memphis
017045	Tennessee Academy of Cosmetology	Bartlett
007439	Tennessee Institute of Electronics	Knoxville
018769	Tennessee School of Beauty	Arnold
009561	Tennessee School of Beauty	Knoxville
009568	Tennessee School of Beauty	Oak Ridge
003522	Tennessee State University	Nashville
003523	Tennessee Technological University	Cookeville
003524	Tennessee Temple University	Chattanooga
003525	Tennessee Wesleyan College	Athens
025892	The Travel Institute	Nashville
018539	Tomlinson College	Cleveland
017165	Total Concept Beauty College	Camden
003526	Trevecca Nazarene College	Nashville
021499	Tri State Semi Driver Training	Nashville
003527	Tullahoma College	Tullahoma
024683	U.T. Memphis Health Sci Ctr	Memphis
024752	U.T. Memphis Health Sci Ctr	Memphis
024807	U.T. Memphis Health Sci Ctr	Memphis
006725	U.T. Memphis Health Sci Ctr	Memphis
003528	Union University	Jackson
008621	Univ of Tenn Cen Office	Knoxville
024799	Univ of Tenn Coll of Vet Medicine	Knoxville
003529	Univ of Tennessee at Chat	Chattanooga
025867	University Beauty	Cleveland
003531	University of Tenn at Martin	Martin
003530	University of Tennessee	Knoxville
003534	University of the South	Sewanee
024617	Vanderbilt Univ School of Medicine	Nashville
003535	Vanderbilt University	Nashville
016557	Volunteer Beauty Academy	Lawrenceburg
016556	Volunteer Beauty Academy	Murfreesboro
016811	Volunteer Beauty Academy	Chattanooga
027919	Volunteer Beauty Academy	Madison
016183	Volunteer Beauty Academy	Dyersburg
009912	Volunteer State Community College	Gallatin
004863	Walters State Community College	Morristown
004947	West Tennessee Business College	Jackson

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STATE OF TENNESSEE
Lender Code List

CODE	NAME	CITY
816026	AEDC Federal Credit Union	Tullahoma
827194	American Bank & Trust	Crossville
828500	American City Bank	Tullahoma
826326	American Fidelity Bank	Alcoa
810549	American National Bank & Trust	Chattanooga
829232	American Savings Bank	Livingston
827522	Andrew Johnson Bank	Greeneville
822265	Bank of Adamsville	Adamsville
810550	Bank of Alamo	Alamo
810551	Bank of Ardmore	Ardmore
810685	Bank of Bradford	Bradford
810552	Bank of Camden	Camden
810553	Bank of Celina	Celina
831612	Bank of Cleveland	Cleveland
810554	Bank of Commerce	Woodbury
813681	Bank of Crockett	Bells
810555	Bank of Dyer	Dyer
830375	Bank of East Ridge	East Ridge
819466	Bank of East Tennessee	Knoxville
810557	Bank of Frankewing	Frankewing
816017	Bank of Gleason	Gleason
810558	Bank of Goodlettsville	Goodlettsville
829824	Bank of Hartsville	Hartsville
810561	Bank of Huntingdon	Huntingdon
810562	Bank of Loudon County	Lenoir City
825409	Bank of Madisonville	Sweetwater
823796	Bank of Madisonville	Madisonville
810565	Bank of Niota	Niota
810564	Bank of Putnam County	Cookeville
816009	Bank of Ripley	Ripley
810629	Bank of Roane County	Harriman
821911	Bank of Trenton & Trust Co.	Trenton
810569	Bank of Waynesboro	Waynesboro
827521	Baptist Board Emp Credit Union	Nashville
829477	Bells Banking Company	Bells
828264	Benton Banking Company	Benton
810620	Bourmen's Bank of Tennessee	Memphis
815657	Bowaters Emps Credit Union	Calhoun
827591	Brighton Bank	Brighton
810574	Carter County Bank	Elizabethton
819428	CAS Federal Credit Union	Chattanooga
827084	Central State Bank	Lexington
829907	Centrust	Miami Beach
831175	Centurs Federal S&L Assoc	Trenton
826243	Cheatham State Bank	Pegram
820829	Chester County Bank	Henderson
821223	Citizens Bank	Gainesboro
816020	Citizens Bank	Smithville
816014	Citizens Bank	Lafayette
816024	Citizens Bank	Hartsville
818162	Citizens Bank	Spencer
828608	Citizens Bank	Nashville
810577	Citizens Bank	Carthage
810578	Citizens Bank	Cookeville
810581	Citizens Bank	Savannah
810582	Citizens Bank & Trust Company	Atwood
810583	Citizens Bank of Speedville	Speedville
827618	Citizens Federal Savings & Loan	Rockwood
822520	Citizens State Bank	S. Pittsburg
810585	Citizens State Bank	Trenton
828428	Citizens State Bank	Parsons
813669	Citizens Union Bank	Rogersville
828755	City & County Bank	Athens
810587	City Bank & Trust Company	McMinnville
826652	Clay County Bank	Celina

CODE	NAME	CITY
810588	Cleveland Bank & Trust Company	Cleveland
826265	Columbia Sponge Credit Union	Columbia
827868	Com BK of Claiborne County	Harrogate
816018	Commercial Bank & Trust	Paris
823693	Community Bank and Trust	Lawrenceburg
831661	Consolidated Bancorp, Inc.	Rosebud
821131	Decatur County Bank	Decaturville
818249	Dekalb Co Bank & Trust Co	Alexandria
820661	Dominion Bank of Middle Tennessee	Dickson
810623	Dominion Bank of Middle Tennessee	Sparta
814455	Dominion Bank of Middle Tennessee	Nashville
829235	Dominion Bank of Middle Tennessee	Gallatin
811718	Dominion Bank, N.A.	Roanoke, VA
829993	Dremco Credit Union	Shelbyville
813678	Ducktown Banking Company	Ducktown
826808	Dupont Memphis Emp Credit Union	Memphis
830302	Education Credit Union	Nashville
810660	Erin Bank & Trust Company	Erin
813672	Erwin National Bank	Erwin
828742	ETMA Federal Credit Union	Knoxville
830641	Executive Park National Bank	Kingsport
810693	Farmers & Merchants Bank	Adamsville
823694	Farmers Bank	Woodland Mills
825933	Farmers Bank	Springfield
810695	Farmers Bank	Parsons
810687	Farmers Bank	Somerville
829017	Farmers State Bank	Scotts Hill
826053	Fentress County Bank	Jamestown
822697	Fidelity Federal Savings & Loan	Nashville
829532	First & Peoples National Bank	Gallatin
810674	First American Bank	Clarksville
830890	First American Bank	Woodbury
824618	First American Bank	Mt Pleasant
826106	First American Bank	Cookeville
826695	First American Fed Sav & Ln Assn	Fayetteville
823024	First American National Bank	Knoxville
810641	First American National Bank	Jackson
810622	First American National Bank	Nashville
810723	First American National Bank	Dayton
810675	First American National Bank	Maryville
827805	First Bank	Lexington
831300	First Bank & Trust	Old Hickory
830858	First Bank of Marion County	South Pittsburg
810634	First Bank of Maury County	Columbia
810640	First Citizens Bank	Hohenwald
825574	First Citizens Bank	Cleveland
810616	First Citizens National Bank	Dyersburg
830012	First City Bank	Murfreesboro
831644	First Community Bank	Shelbyville
816010	First Cumberland Bank	Madison
810618	First Farmers & Merchants Natl Bank	Mount Pleasant
810617	First Farmers & Merchants Natl Bank	Columbia
826704	First Federal Savings Bank	Clarksville
828956	First Federal Savings & Loan Assn	Chattanooga
827368	First Federal Savings Bank	Tullahoma
829062	First Fidelity S&L Assoc	Crossville
818109	First Heritage National Bank	Loudon
810679	First National Bank Franklin County	Decherd
810688	First National Bank	Tullahoma
810621	First National Bank	Shelbyville
810678	First National Bank	Crossville
810625	First National Bank	Centerville
810635	First National Bank	Oneida
810636	First National Bank	Peter-burg
810631	First National Bank	Manchester

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STATE OF TENNESSEE
Lender Code List

CODE	NAME	CITY
[illegible]	First National Bank	McMinnville
[illegible]	First National Bank	Pulaski
[illegible]	First National Bank	Cookeville
[illegible]	First National Bank	Crossville
[illegible]	First National Bank	Lawrenceburg
[illegible]	First National Bank	Harriman
[illegible]	First National Bank	Livingston
[illegible]	First National Bank & Trust	Athens
[illegible]	First Peoples Bank	Jefferson City
[illegible]	First State Bank	Covington
[illegible]	First State Bank	Jackson
[illegible]	First State Bank	Somerville
[illegible]	First State Bank	Chapel Hill
[illegible]	First State Bank	Linden
[illegible]	First State Bank & Trust Co.	Clarksville
[illegible]	First Tennessee Bank	Memphis
[illegible]	First Trust & Savings Bank	Dyersburg
[illegible]	First Union National Bank of TN	Nashville
[illegible]	First Volunteer Bank	Newport
[illegible]	Clarksville Credit Bank	Clarksville
[illegible]	[illegible]	Ft. Campbell, KY
[illegible]	Citizens Credit Bank	Clarksville
[illegible]	Cumberland Banking Co.	Crossville
[illegible]	Hamilton Bank of Lenoir City	Lenoir City
[illegible]	Hardeman County Savings Bank	Bolivar
[illegible]	Hartsville Bank	Hartsville
[illegible]	Heritage Federal Savings & Loan	Kingsport
[illegible]	Home Banking Company	Jasper
[illegible]	Home Fed Savings & Loan	Johnson City
[illegible]	Jackson County Bank	Gainesboro
[illegible]	Jackson National Bank	Jackson
[illegible]	Jefferson Federal S&L Assoc.	Morristown
[illegible]	K-25 Federal Credit Union	Oak Ridge
[illegible]	Knoxville Teachers Credit Union	Knoxville
[illegible]	Knoxville TVA Emp Credit Union	Knoxville
[illegible]	Lebanon Bank	Lebanon
[illegible]	Liberty State Bank	Liberty
[illegible]	Liberty State Bank	Liberty
[illegible]	Macon Bank & Trust Company	Red Boiling Spg
[illegible]	Macon Bank & Trust Company	Lafayette
[illegible]	Macon Trust & Banking Company	Joppa
[illegible]	Martin Bank	Martin
[illegible]	Maury Progressive Credit Union	Columbia
[illegible]	Meigs County Bank	Decatur
[illegible]	Memphis Area Teachers CU Union	Memphis
[illegible]	Memphis & Shelby Bank	Memphis
[illegible]	Merchants Bank	Chickasaw
[illegible]	Merchants State Bank	Huntingdon
[illegible]	Mercantile Fed Savings & Loan	Kingsport
[illegible]	Mid South Bank & Trust	Murfreesboro
[illegible]	Middle Tennessee Bank	Columbia
[illegible]	Morristown Federal S&L Assoc.	Jefferson City
[illegible]	National Bank of Commerce	Memphis
[illegible]	National Bank of Savannah	Savannah
[illegible]	New Memphis Fed Credit Union	Memphis
[illegible]	Oak Ridge Civic Emp Fed Credit Union	Oak Ridge
[illegible]	ORNL Employees Credit Union	Oak Ridge
[illegible]	People's Bank & Trust	Manchester
[illegible]	People's Bank & Trust Co.	Kingsport
[illegible]	People's & Union Bank	Lewisburg
[illegible]	Peoples Bank	Lebanon
[illegible]	Peoples Bank	Decatur

CODE	NAME	CITY
[illegible]	Peoples Bank	Clifton
[illegible]	Peoples Bank of Ewing	Ewing
[illegible]	Peoples National Bank	Martin
[illegible]	Peoples National Bank	Lafayette
[illegible]	Pet Dairy Emp Fed Credit Union	Johnson City
[illegible]	Pickett Co Bank & Trust Co.	Byrdstown
[illegible]	Pioneer Bank	Chattanooga
[illegible]	Progressive Savings Bank	Jamestown
[illegible]	Red Boil Bank	Dixon City
[illegible]	Rhea County National Bank	Spring City
[illegible]	Security First Federal Savings Bank	Dyersburg
[illegible]	Security State Bank	Newbern
[illegible]	Selmer Bank & Trust Company	Selmer
[illegible]	Senior Citizens Bank	Sevierville
[illegible]	Southern Citizens Bank	Pulaski
[illegible]	Sovran Bank	Dixon City
[illegible]	Sovran Bank	Cookeville
[illegible]	Sovran Bank	Franklin
[illegible]	Sovran Bank	Oak Ridge
[illegible]	Sovran Bank	Murfreesboro
[illegible]	Sovran Bank	Shelby
[illegible]	Sovran Bank	Springfield
[illegible]	Sovran Bank	Columbia
[illegible]	Sovran Bank	Clarksville
[illegible]	Sovran Bank	Maryville
[illegible]	Sovran Bank	Jefferson City
[illegible]	Sovran Bank Central South	Nashville
[illegible]	Sovran Bank Central South	Chattanooga
[illegible]	Sovran Bank Mountain Empire	Kingsport
[illegible]	Sovran Bank Mountain Empire, N.A.	Knoxville
[illegible]	Tennessee Valley Bank	Tullahoma
[illegible]	Tennessee Bank	Lafayette
[illegible]	Tennessee Teachers Credit Union	Nashville
[illegible]	Third National Bank	Knoxville
[illegible]	Third National Bank	Smyrna
[illegible]	Third National Bank	Nashville
[illegible]	Third National Bank in Hamblen Co.	Morristown
[illegible]	Third National Bank of Anderson Co.	Knoxville
[illegible]	Tipton County Bank	Covington
[illegible]	TN Trust Commodity	Chattanooga
[illegible]	Tullahoma National Bank	Tullahoma
[illegible]	Tri-City Bank & Trust Co.	Bristol
[illegible]	TVA Western Empire Credit Union	Jackson
[illegible]	TVA Guardian Fed Savings Bank	Tullahoma
[illegible]	Union Bank	Jamestown
[illegible]	Union Bank	Pulaski
[illegible]	Union Bank & Trust Company	Livingston
[illegible]	Union Planters National Bank	Nashville
[illegible]	Union Planters National Bank	Kingsport
[illegible]	Union Planters National Bank	Memphis
[illegible]	Union Planters National Bank	Jackson
[illegible]	Union Planters National Bank	Knoxville
[illegible]	Union Planters National Bank	Chattanooga
[illegible]	United American Bank	Memphis
[illegible]	Valley Federal Bank & Trust	Knoxville
[illegible]	Volunteer Bank & Trust	Chattanooga
[illegible]	Volunteer State Bank	Portland
[illegible]	Wayne County Bank	Waynesboro
[illegible]	Westmoreland Savings Bank	Westmoreland
[illegible]	Wilson County Fed Credit Union	Nashville
[illegible]	Y-12 Federal Credit Union	Oak Ridge

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...ment and State Student Aid

Tennessee Student Assistance Corporation

WARNING: If you purposely give false or misleading information on this form, you may be fined $10,000, sent to prison, or both.

TSAC

"You" and "your" on this form always mean the student who wants aid.

Section A: Yourself

1. Your name: Last | First | M.I.
2. Your permanent mailing address (Mail will be sent to this address. See page 3 for State/Country abbreviation.): Number and Street (Include Apt. No.) | City | State | ZIP Code
3. Your title (optional): ☐ Mr. ☐ Miss, Ms., or Mrs.
4. Your State of legal residence: State
5. Your social security number:
6. Your date of birth: Month Day Year
7. Are you a U.S. citizen?
   - ☐ Yes, I am a U.S. citizen.
   - ☐ No, but I am an eligible noncitizen. (See the instructions on page 3.) [A]
   - ☐ No, neither of the above. (See the instructions on page 3.)
8. As of **today**, are you married? (Check only one box.)
   - ☐ I am not married. (I am single, divorced, or widowed.)
   - ☐ I am married.
   - ☐ I am separated from my spouse.
9. What year will you be in college in 1991-92? (Check only one box.)
   - ☐ 1st (never previously attended college)
   - ☐ 1st (previously attended college)
   - ☐ 2nd ☐ 3rd ☐ 4th
   - ☐ 5th or more undergraduate
   - ☐ first year graduate/professional (beyond a bachelor's degree)
   - ☐ Continuing graduate or professional
10. Will you have your first Bachelor's degree before July 1, 1991?
    - ☐ Yes ☐ No

Section B: Student Status

		Yes	No
11.	**a.** Were you born **before** January 1, 1968?	☐	☐
	b. Are you a veteran of the U.S. Armed Forces?	☐	☐
	c. Are you a ward of the court or are both your parents dead?	☐	☐
	d. Do you have legal dependents, other than a spouse, (up to the definition in the instructions on page 4.)	☐	☐

If you answered **"Yes"** to **any** part of question 11, go to Section C and fill out the **GRAY** and the **WHITE** areas on the rest of the form. (Skip questions 12 through 15.)

If you answered **"No"** to **every** part of question 11, **and** you are:

- Unmarried now (single, divorced, separated, or widowed) **and** will be an undergraduate student in 1991-92, answer question 12. (Skip question 15.)
- Married now **or** will be a graduate/professional student in 1991-92, answer question 15. (Skip questions 12 through 14e.)

Unmarried Undergraduate Students Only

12. Did your parents claim you as an income tax exemption?

	Yes	No
in 1989?	☐	☐
in 1990?	☐	☐

If you answered **"Yes"** to **either** year in question 12, go to Section C and fill out the **GRAY** and the **WHITE** areas on the rest of the form. (Skip questions 13 through 15.)

If you answered **"No"** to **both** years in question 12, answer question 13 below.

13. **Beginning with the 1987-88 school year**, you **first** received Federal student aid. (Check only one box: a, b, c, d, or e. See instructions on page 4.)

a. ☐ in the 1987-88 school year. (Answer **14a below**. Skip 14b, 14c, 14d, and 14e.)

b. ☐ in the 1988-89 school year. (Answer **14b below**. Skip 14a, 14c, 14d, and 14e.)

c. ☐ in the 1989-90 school year. (Answer **14c below**. Skip 14a, 14b, 14d, and 14e.)

d. ☐ in the 1990-91 school year. (Answer **14d below**. Skip 14a, 14b, 14c, and 14e.)

e. ☐ in neither a, b, c, **or** d. (Answer **14e below**. Skip 14a, 14b, 14c, and 14d.)

14a. Did you have total resources of $4,000 or more, not including parents' support?

	Yes	No
in 1985?	☐	☐
in 1986?	☐	☐

14b. Did you have total resources of $4,000 or more, not including parents' support?

	Yes	No
in 1986?	☐	☐
in 1987?	☐	☐

14c. Did you have total resources of $4,000 or more, not including parents' support?

	Yes	No
in 1987?	☐	☐
in 1988?	☐	☐

14d. Did you have total resources of $4,000 or more, not including parents' support?

	Yes	No
in 1988?	☐	☐
in 1989?	☐	☐

14e. Did you have total resources of $4,000 or more, not including parents' support?

	Yes	No
in 1989?	☐	☐
in 1990?	☐	☐

- If you answered **"No"** to **either** year in question 14a, 14b, 14c, 14d, **or** 14e, go to Section C and fill out the **GRAY** and the **WHITE** areas on the rest of the form.
- If you answered **"Yes"** to **both** years in question 14a, 14b, 14c, 14d, **or** 14e, go to Section C and fill out the **GRAY** and the **WHITE** areas on the rest of the form.

Married or Graduate/Professional Students Only

15. Will your parents claim you as an income tax exemption in 1991?

	Yes	No
	☐	☐

If you answered **"Yes"** to question 15, go to Section C and fill out the **GRAY** and the **WHITE** areas on the rest of the form.

If you answered **"No"** to question 15, go to Section C and fill out the **GRAY** and the **WHITE** areas on the rest of the form.

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Section C: Household Information

PARENTS

16. What is your parents' current marital status?

1 ☐ single
2 ☐ married
3 ☐ separated
4 ☐ divorced
5 ☐ widowed

17. What is your parents' State of legal residence?

☐☐
State

18. Number of family members in 1991-92 ☐☐

(Always include yourself (the student) and your parents. Include your parents' other children and other people only if they meet the definition in the instructions on page 5.)

19. Number of college students in 1991-92 ☐

(Of the number in 18, write in the number of family members who will be in college at least half-time. Include yourself, the applicant.)

STUDENT (& SPOUSE)

20. Number of family members in 1991-92 ☐☐

(Always include yourself and your spouse. Include your children and other people only if they meet the definition in the instructions on page 5.)

21. Number of college students in 1991-92 ☐

(Of the number in 20, write in the number of family members who will be in college at least half-time. Include yourself.)

Section D: 1990 income, earnings, and benefits

*(You **must** see the instructions for income and taxes that you should exclude from questions 24 through 28.)*

22. The following 1990 U.S. income tax figures are from:

PARENTS *(Check only one box.)*		STUDENT (& SPOUSE) *(Check only one box.)*	
1 ☐ a completed 1990 IRS Form 1040EZ or 1040A	(Go to 23.)	1 ☐ a completed 1990 IRS Form 1040EZ or 1040A	(Go to 23.)
2 ☐ a completed 1990 IRS Form 1040	(Go to 23.)	2 ☐ a completed 1990 IRS Form 1040	(Go to 23.)
3 ☐ an estimated 1990 IRS Form 1040EZ or 1040A	(Go to 23.)	3 ☐ an estimated 1990 IRS Form 1040EZ or 1040A	(Go to 23.)
4 ☐ an estimated 1990 IRS Form 1040	(Go to 23.)	4 ☐ an estimated 1990 IRS Form 1040	(Go to 23.)
5 ☐ a tax return will not be filed	(Skip to 26.)	5 ☐ a tax return will not be filed	(Skip to 26.)

Everyone must fill out the Student (& Spouse) column below.

TAX FILERS ONLY	PARENTS	STUDENT (& SPOUSE)
23. 1990 total number of exemptions (Form 1040 line 6e, or 1040A line 6e, 1040EZ filers, see instructions on page 6)	☐☐	**23.** ☐☐
24. 1990 Adjusted Gross Income (AGI). Form 1040 line 31, 1040A line 16, or 1040EZ line 3, or see instructions on pages 6 and 7	$ ____ 00	**24.** $ ____ 00
25. 1990 U.S. income tax paid (Form 1040 line 47, 1040A line 25, or 1040EZ line 7)	$ ____ 00	**25.** $ ____ 00
26. 1990 income earned from work — Father	$ ____ 00	Student **26.** $ ____ 00
27. 1990 income earned from work — Mother	$ ____ 00	Spouse **27.** $ ____ 00
28. 1990 untaxed income and benefits *(yearly totals only)*		
28a. Social security benefits	$ ____ 00	**28a** $ ____ 00
28b. Aid to Families with Dependent Children (AFDC or ADC)	$ ____ 00	**28b.** $ ____ 00
28c. Child support received for all children	$ ____ 00	**28c** $ ____ 00
28d. Other untaxed income and benefits from worksheet #2 on page 12	$ ____ 00	**26d** $ ____ 00

8 3 0

Section E: College Release and Certification

29. What college(s) do you plan to go to in 1991-92?

a. School Choice #1 _____ Full Name of School _____ Housing Code (see pg.) _____ Street Address _____ School Code _____ City _____ State _____

b. School Choice #2 _____ Full Name of School _____ Housing Code (see pg.) _____ Street Address _____ School Code _____ City _____ State _____

c. School Choice #3 _____ Full Name of School _____ Housing Code (see pg.) _____ Street Address _____ School Code _____ City _____ State _____

30. I give CSX permission to send information from this form and additions and corrections to that information to:

a. The U.S. Department of Education: 1 ☐ Yes 2 ☐ No
(Answer "Yes" if you want to be considered for Federal student aid; a "No" response will prevent you from receiving Pell Grant consideration.)

b. The colleges listed in item 29 on this form and other colleges I may later indicate that I may attend: 1 ☐ Yes 2 ☐ No

c. The Financial Aid Agencies and/or designated guarantor in my state: 1 ☐ Yes 2 ☐ No

31. I give the U.S. Department of Education permission to send family and financial information from this form to:

a. The Financial Aid Agencies in my State: 1 ☐ Yes 2 ☐ No
(Answering "Yes" to this item gives permission for the U.S. ED to forward your data to States. You may need to complete the other items in order to be considered for State and college financial aid.)

b. The colleges listed (or its representative) in item 29: 1 ☐ Yes 2 ☐ No

32. Check this box if you give Selective Service permission to register you. (See instructions on page 6.) 1 ☐

CERTIFICATION: All of the information on this form and the Supplemental Information pages I completed is true and complete to the best of my knowledge. I authorize any federal or state student financial aid program to verify the information I provided on this form. I understand that I may be asked to provide a copy of my U.S. income tax return for myself, my parents, or my spouse. I understand that if I do not give proper and correct information, I may be denied aid. EVERYONE GIVING INFORMATION ON THIS FORM MUST SIGN BELOW. IF YOU DON'T SIGN THIS FORM, IT WILL BE RETURNED UNPROCESSED.

Sign: 1 _____ Student 2 _____ Student's Spouse 3 _____ Father 4 _____ Mother

Date Completed: Month ___ Day ___ Year ☐ 1991 ☐ 1992

ATTENTION

If you are filling out the GOLD and WHITE areas, you will need to refer to Section D to complete worksheet #3A below. The worksheet will tell you whether you must fill out the Supplemental Information (Sections F through I).

WORKSHEET #3A FOR THE SIMPLIFIED NEEDS TEST

1. Did or will you, your spouse, **or** your parents file a 1990 IRS Form 1040? (Does not include 1040A or 1040EZ.)
☐ Yes (Fill out Sections F through I.)
☐ No (Fill out the rest of this worksheet.)

Check "Yes" if a foreign or Puerto Rican tax return was or will be filed.

Income from:	PARENTS COLUMN A	STUDENT/SPOUSE COLUMN B
2a. Question 24	$ ____.00	$ ____.00
OR		
2b. Questions 26 and 27 (use **only** if you left Question 24 blank)	$ ____.00	$ ____.00
3. Write in the total of column A and column B entries from Question 2	$ ____.00	

If the total from line **3** is **$15,000 or less**, and you are applying only for Federal student aid, mail the form. **You do not have to fill out the Supplemental Information** in Sections F through I (unless you, your spouse or at least one of your parents is a dislocated worker or your school or State asks you to). **Mail the form to:** CSX, P.O. Box 53495, Jacksonville, FL 32201.

If the total from line **3** is **$15,001 or more**, you **must** fill out Sections F through I.

IMPORTANT: If you wish to apply for state or institutional aid, as well as Federal aid (including a Stafford Loan), you may be required to complete all of the remaining sections of this form. Check with your financial aid administrator to determine school requirements.

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If you are filling out the GRAY and WHITE areas, you will need to refer to Section D to complete worksheet #3B below. The worksheet will tell you whether you must fill out the Supplemental Information (Sections F through I).

WORKSHEET #3B FOR THE SIMPLIFIED NEEDS TEST

1. Did or will you (or your spouse) file a 1990 IRS Form 1040? (Does not include 1040A or 1040EZ.)
☐ Yes (Fill out Sections F through I.)
☐ No (Fill out the rest of this worksheet.)

Check "Yes" if a foreign or Puerto Rican tax return was or will be filed.

Income from:	STUDENT/SPOUSE COLUMN B
2a. Question 24	$ ____.00
OR	
2b. Questions 26 and 27 (use **only** if you left Question 24 blank)	$ ____.00

If the total from line 2a or 2b is **$15,000 or less**, and you are applying only for Federal student aid, mail the form. **You do not have to fill out the Supplemental Information** in Sections F through I (unless you, are, or your spouse is a dislocated worker or your school or State asks you to). **Mail the form to:** CSX, P.O. Box 53495, Jacksonville, FL 32201.

If the total from line 2a or 2b is **$15,001 or more**, you **must** fill out Sections F through I.

IMPORTANT: If you wish to apply for state or institutional aid, as well as Federal aid (including a Stafford Loan), you may be required to complete all of the remaining sections of this form. Check with your financial aid administrator to determine school requirements.

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SUPPLEMENTAL INFORMATION

Section F: 1990 expenses

	PARENTS	STUDENT (& SPOUSE)
33. 1990 medical and dental expenses not paid by insurance	$_____.00	**33.** $_____.00
34. 1990 elementary, junior high, and high school tuition for dependent children		
34a. Amount paid. (Don't include tuition paid for the applicant.)	$_____.00	**34a.** $_____.00
34b. For how many dependent children	☐☐	**34b.** ☐☐

Section G: Asset Information

If you are completing this page, you must fill out the student (& spouse) column below

	PARENTS		STUDENT (& SPOUSE)	
35. Is either of your parents a displaced homemaker? (See the instructions on page 9.)	☐ Yes ☐ No		**35.** Are you, or is your spouse, a displaced homemaker? (See the instructions on page 9.)	☐ Yes ☐ No
36. Write in the age of your older parent	☐☐		**36.** xxxxxxxxxx	
	What is it worth today?	**What is owed on it?**	**What is it worth today?**	**What is owed on it?**
37. Cash, savings, and checking accounts	$_____.00	xxxxxxxxxx	**37.** $_____.00	xxxxxxxxxx
38. Home (Renters write in "0.")	$_____.00	$_____.00	**38.** $_____.00	$_____.00
39. Other real estate and investments	$_____.00	$_____.00	**39.** $_____.00	$_____.00
40. Business and farm	$_____.00	$_____.00	**40.** $_____.00	$_____.00
41. Does any part of item 40 include a farm?	☐ Yes ☐ No		**41** ☐ Yes ☐ No	

Section H: Your veterans educational benefits per month *(for the student only)*

(If you are completing this page, you must answer question 42. If you are filling out the GRAY and the WHITE areas, you must also answer question 43.)

		Expected Amount July 1, 1991 through June 30, 1992
42. Your veterans Dependents Educational Assistance Program benefits	**42a.** Amount per month	$_____.00 a month
	42b. Number of months	☐☐ months
43. Your Veterans Contributory Benefits (VEAP)	**43a.** Amount per month	$_____.00 a month
	43b. Number of months	☐☐ months

Section I: Expected 1991 taxable and nontaxable income and benefits

*(You **must** see the instructions for income and taxes that you should exclude from questions 45 through 49.)*

If you are completing this page, you must fill out the student (& spouse) column below

		PARENTS		STUDENT (& SPOUSE)	
44. Is either of your parents **certified** as a dislocated worker by the appropriate agency? (See the instructions on page 10.)		☐ Yes ☐ No	**44.** Are you, or is your spouse **certified** as a dislocated worker by the appropriate agency? (See the instructions on page 10.)		☐ Yes ☐ No
45. 1991 income earned from work	Father	$_____.00		Student **45.** $	_____.00
46. 1991 income earned from work	Mother	$_____.00		Spouse **46.** $	_____.00
47. 1991 other taxable income		$_____.00		**47.** $	_____.00
48. 1991 U.S. income tax to be paid		$_____.00		**48.** $	_____.00
49. 1991 nontaxable income and benefits (See instructions on pages 10 and 11.)		$_____.00		**49.** $	_____.00

If you are applying only for Federal student aid, you have finished the application. Recheck your application, **making sure you have completed Section E. Mail the AFSSA to:** CSX Commercial Services, P. O. Box 53495, Jacksonville, FL 32201. If you desire State and/or institutional assistance, see page 13 for instructions.

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ADDITIONAL INFORMATION NEEDED BY TSAC

Section J: Stafford Loan (formerly Guaranteed Student Loan) Information

50. If additional aid is required, would you like to be considered for a Stafford Loan (formerly GSL)? 1 ☐ Yes 2 ☐ No

If you answered "Yes" to question 50, complete the rest of Section J. If you answered "No", proceed to question 64.

51. Have you had previous Stafford Loan(s) (formerly GSL)? 1 ☐ Yes 2 ☐ No

(If "No", skip to question 52.)

a. What is the total balance on ALL your Stafford Loans? $ .00
(See worksheet #4)
(If "0", skip the remaining items in this question and go to question 52.)

b. What is the total remaining unpaid balance on your most recent Stafford Loan? $ .00

c. What is the interest rate? 7% ☐ 8% ☐ 9% ☐ 8-10% ☐

d. What was the loan (enrollment) period on your most recent loan? from ☐☐ (Month) 19☐☐ (Year) to ☐☐ (Month) 19☐☐ (Year)

e. What was your year in college on your most recent Stafford Loan?

1 ☐ Freshman
2 ☐ Sophomore
3 ☐ Junior
4 ☐ Senior
5 ☐ 5th year undergraduate
6 ☐ 1st year graduate/professional
7 ☐ 2nd year graduate/professional
8 ☐ 3rd year graduate/professional
9 ☐ Beyond 3rd year graduate/professional

52. Do you have any educational loans other than those listed in question 51a? 1 ☐ Yes 2 ☐ No

If yes, what is the total unpaid balance of these loans? $ .00
TOTAL

53. Have you ever defaulted on a previous Perkins (NDSL), Stafford (GSL), FISL, SLS, or PLUS loan? 1 ☐ Yes 2 ☐ No

54. Do you owe a refund or repayment on a Federal or State grant? 1 ☐ Yes 2 ☐ No

55. Have you ever filed or are you currently filing for bankruptcy? 1 ☐ Yes 2 ☐ No

56. Student's home telephone number ( )

57. Student's driver's license number
Issued by the state of ☐☐ (State)

58. Maiden or previous name (if any)
Last
First M.I.

59. Enter the month and year you expect to complete your current college degree or certificate ☐☐ (Month) 19☐☐ (Year)

60. For what Stafford Loan amount would you like to be considered? (If not sure, leave blank.)
$ ☐☐☐☐ Dollars only
(See instructions on Page 13.)

61. Period of enrollment during 1991-1992 academic year for which loan is requested:
beginning ☐☐ (Month) 19☐☐ (Year) and ending ☐☐ (Month) 19☐☐ (Year)

62. Student's enrollment status during 1991-1992 academic year

1 ☐ Full-time
2 ☐ Not full-time but at least half-time
3 ☐ Less than half-time

63. If you have had a previous Stafford Loan or have already identified a lender you desire to use, enter the lender's name, address, and Lender Code (if known).

Lender's Name
Lender's Address
☐☐☐☐☐☐ Lender Code

Section K: Tennessee Student Assistance Award Program

NOTE: Before completing this section, make sure you have answered Question 31a.

64. Enter the TSAC code of the college you will attend in 1991-92. (See instructions.)
☐☐☐ School Code

65. Race or ethnic group. (Optional - for statistical purposes only.)

1 ☐ American Indian
2 ☐ Caucasian American
3 ☐ Oriental American
4 ☐ Black American
5 ☐ Spanish American
6 ☐ Other

66. Provide the code of your county of residence. (See instructions.)
☐☐ County Code

67. Date you began living in your state of legal residence?
☐☐ (Month) 19☐☐ (Year)

Section L: Additional Information Needed by Tennessee Institutions

68. Have you or will you finish high school?

1 ❑ Yes 2 ❑ No

69. Year of actual or anticipated high school graduation (or GED)

19 ❑❑ Year

70. List all colleges, universities, technical or proprietary schools you previously attended.

1. _____
2. _____
3. _____
4. _____

71. If you have dependents other than a spouse, how many will be in the following age groups during 1991-1992?

0-5 years	6-12 years	13 years and over

72. What type of self-help will you accept? (Check only ONE.)

1 ❑ Part-time work only
2 ❑ Long-term loan only
3 ❑ Both loan and work, but prefer work
4 ❑ Both loan and work, but prefer loan
5 ❑ Both loan and work, no preference

73. What will your classification be for 1991-92 at the college you are most likely to attend?

1 ❑ Entering freshmen or beginning student
2 ❑ Transfer student
3 ❑ Continuing student
4 ❑ A former (returning) student

74. Indicate the number of hours you will be enrolled for the terms you are requesting aid from this college? (Mark all that apply.)

	TERM	5 hrs or less	6 - 8 hours	9 - 11 hours	12 hrs or more
a	1991 - 1st Summer				
b	1991 - 2nd Summer				
c	1991 - Fall				
d	1991 - Winter				
e	1992 - Spring				
f	1992 - 1st Summer				
g	1992 - 2nd Summer				
		1	2	3	4

75. Major course of study

_____

76. Are you (the student) currently employed?

1 ❑ Yes 2 ❑ No

77. If employed, indicate

a. Hours per week _____

b. Monthly Gross Income $ _____,_____

c. Your Occupation/Employer

_____

d. Will you continue to work for this employer during the 1991-92 school year?

1 ❑ Yes 2 ❑ No

78. If married, is your spouse employed?

1 ❑ Yes 2 ❑ No

79. If spouse is employed, indicate

a. Hours per week _____

b. Monthly Gross Income $ _____

c. Spouse's Occupation/Employer

_____

d. Will your spouse continue to work for this employer during the 1991-92 school year?

1 ❑ Yes 2 ❑ No

80. Will you need help finding a job while in school?

1 ❑ Yes 2 ❑ No

81. Special skills or aptitudes for employment

1 ❑ Accounting 4 ❑ Audiovisual 7 ❑ Data Processing
2 ❑ Clerical 5 ❑ Library 8 ❑ Maintenance
3 ❑ Secretarial (Typing) 6 ❑ Social Services 9 ❑ Other

82. What is your classification for tuition purposes in Tennessee?

1 ❑ State Resident
2 ❑ Out-of-State Resident
3 ❑ No Classification

83. If you will live off campus, enter round-trip mileage to campus.

❑❑❑ No. of Miles

OPTIONAL:

84. Number of copies of your Student Aid Report you wish to receive

❑

SINGLEFILE FORM

THE APPLICATION FOR STUDENT FINANCIAL ASSISTANCE

INSTRUCTIONS
1991-92 School Year

Warning:

You must fill out this form accurately. **The information which you supply can be checked** by your college or by the U.S. Department of Education.

You may be **asked** to provide U.S. income tax returns, the worksheets in this booklet and other information. If you can't or don't provide these records, you may not get Federal aid. If you get Federal student aid based on incorrect information, you will have to pay it back; you may also have to pay fines and fees. If you purposely give **false or misleading information** on your application form, you may be fined $10,000, receive a prison sentence, or both.

Be sure to read "Information on the Privacy Act and Use of Your Social Security Number" on Page 10.

What Is This Application For?

You can use the form in this booklet as the first step in applying for student financial aid offered by the U.S. Department of Education.

These Federal student assistance programs can help you pay for most kinds of education after high school. The aid is available if you are attending a professional school, a vocational or technical school, or college. This application is for Federal student financial aid for the 1991-92 school year (July 1, 1991–June 30, 1992).

The information on this page will answer some of your questions about these programs. However, for more information on Federal student financial aid, see **"Additional Information On The Federal Student Financial Aid Programs"** on Page 9. The instructions in this booklet will tell you what information you have to provide on the form. If you have any questions after you have read the instructions, seek help. Talk to your high school counselor or the financial aid administrator at the school you want to attend.

Who Can Get Aid From These Federal Student Financial Aid Programs?

Eligibility Requirements	Pell Grants	Stafford Loans	Supplemental Educational Opportunity Grants (SEOGs)	College Work Study (CWS)	Perkins Loans
Undergraduate	Yes	Yes	Yes	Yes	Yes
Graduate	No	Yes	No	Yes	Yes
At least half-time	Yes	Yes	Yes*	Yes*	Yes*
Must pay back	No	Yes	No	No	Yes
Must be a U.S. citizen or eligible noncitizen	Yes	Yes	Yes	Yes	Yes
Must be registered with the Selective Service (if required)	Yes	Yes	Yes	Yes	Yes
Must have financial need	Yes	Yes	Yes	Yes	Yes
Must attend a participating school	Yes	Yes	Yes	Yes	Yes
Must be working toward a degree or certificate	Yes	Yes**	Yes	Yes	Yes
Must be making satisfactory academic progress	Yes	Yes	Yes	Yes	Yes
Must not be in default or owe a refund on a Federal grant or educational loan	Yes	Yes	Yes	Yes	Yes
Having a Bachelor's degree makes applicant ineligible	Yes	No	Yes	No	No
Conviction of drug distribution or possession may make student ineligible	Yes	Yes	Yes	Yes	Yes

*In some cases, students going to school less than half-time may be eligible. Check with your financial aid administrator.

**In some cases, students don't have to be in a degree or certificate program. Check with your financial aid administrator.

USA FUNDS®

MDE Form 315(B) 9/90

You can also use this form to apply for scholarships, grants, loans, and work study jobs from colleges and agencies. Check with the college or agency to see what forms they require.

Deadline: May 1, 1992

We must **receive** your form by May 1, 1992. Schools may have **earlier deadlines** you will have to meet. You should apply as early as possible. Mailing in your form is only the first step in applying for Federal student aid.

What Happens After I Mail The SINGLEFILE FORM?

- A **Student Aid Report (SAR)** will be mailed to you which will tell you what you reported on the SINGLEFILE FORM. If any of the information you reported is incorrect, you may correct it on the SAR. The SAR also will give you an idea whether or not you are eligible for student financial aid.
- A **Financial Aid Institutional Report (FAIR)** will be sent to the colleges you list in Question 29 unless you check "No" to Question 30c. This report will be used by the college to determine your eligibility for aid from them, and if eligible, to determine what types of aid to award you and how much. If you later make corrections, revised FAIRs will also be sent to colleges.
- If USA Funds has an agreement with the financial aid agency in your state of legal residence, we will release your data to that agency unless you check "No" to Question 30b or leave it blank.

What If I Have Questions?

If you have questions regarding this application, you should call the USA Funds' Need Analysis Customer Assistance Unit at 1-800-448-3530 (this is a toll-free number). If you need more help, contact your college financial aid administrator or high school guidance counselor.

INSTRUCTIONS

[ ] FOR PURPLE SHADED AREAS [ ] FOR GRAY SHADED AREAS

Before you begin to fill out the form, scan it out of the booklet and lay it alongside the instructions so that you can check for additional instructions as you go along.

The purple and gray shaded areas indicate which instructions are for which questions. **Read the instructions as you fill out this form.** Mistakes will delay the processing of your application.

Some instructions appear on the form itself. Since some questions are self explanatory, no additional instructions are provided. Where additional information is necessary, you will find it in this instruction booklet.

The instructions for this form will usually answer questions that you have. If you need more help, contact your high school guidance counselor or your college financial aid administrator.

Although other people (besides the student who is applying for aid) may help fill out this form, it is about the student. On this form, the words "you" and "your" always mean the student. The word "college" means a college, university, graduate or professional school, vocational or technical school, or any other school beyond high school.

"Student financial aid" means money from educational loans, grants, and scholarships. It also means earnings from the College Work Study Program or other earnings you received based on your financial aid administrator's determination of your financial need.

Records You Will Need

Get together these records for yourself and your family:

- 1990 U.S. income tax return (IRS Form 1040, 1040A, or 1040EZ).
- 1990 State and local income tax returns.
- W-2 forms and other records of money earned in 1990.
- Records of untaxed income, such as welfare, social security, AFDC or ADC, or veterans benefits.
- Current bank statements.

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- Current mortgage information.
- Records of medical or dental bills that were paid in 1990.
- Business and farm records.
- Records of stocks, bonds, and other investments.

Keep These Records!

Won't file a tax return. Even if you and your spouse or your parents file no income tax return for 1990, you will need to know earnings for the year. You may also need records showing the amount of other income you are to report on your application.

Tax return not completed yet. If you, your spouse, and/or your parents haven't completed a 1990 U.S. income tax return but will be filing one, **we recommend that you complete your return before filling out this application.** Knowing what will be on your tax return will help you to fill out this application accurately. When your application is compared with the official 1990 IRS Form 1040, 1040A, or 1040EZ that is filed for you and your family, the financial information must agree. If there are **any** errors, you will have to correct the information and send it back to the U.S. Department of Education. If this happens, it will take longer to determine whether you are eligible for Federal student aid. It could mean a delay in getting your student financial aid.

If you, your spouse, and/or your parents filed (or will file) a **"Foreign Tax Return"** or are a **"Native American,"** see Page 9.

When You Fill Out This Form

- Use a pen with black or dark ink. Don't use a pencil.
- Print carefully, so that your form will be easy to read.
- Round off figures to the nearest dollar. For 50 cents or more, round up; for 49 cents or less, round down.

Section A: Yourself

Write in this section information about you, the student who is applying for aid.

1. Write in the address where you will be receiving mail. All mail will be sent to this address. Don't use the address of the financial aid office or any other office. Use the State/Country abbreviations list below.

STATE/COUNTRY ABBREVIATIONS

AL	Alabama	NH	New Hampshire
AK	Alaska	NJ	New Jersey
AS	American Samoa	NM	New Mexico
AZ	Arizona	NY	New York
AR	Arkansas	NC	North Carolina
CA	California	ND	North Dakota
CO	Colorado	OH	Ohio
CT	Connecticut	OK	Oklahoma
DE	Delaware	OR	Oregon
DC	District of Columbia	PA	Pennsylvania
FL	Florida	PR	Puerto Rico
GA	Georgia	RI	Rhode Island
GU	Guam	SC	South Carolina
HI	Hawaii	SD	South Dakota
ID	Idaho	TN	Tennessee
IL	Illinois	TX	Texas
IN	Indiana	UT	Utah
IA	Iowa	VT	Vermont
KS	Kansas	VI	Virgin Islands
KY	Kentucky	VA	Virginia
LA	Louisiana	WA	Washington
ME	Maine	WV	West Virginia
MD	Maryland	WI	Wisconsin
MA	Massachusetts	WY	Wyoming
MI	Michigan		
MN	Minnesota	CN	Canada
MS	Mississippi	FM	Federated States of Micronesia
MO	Missouri	MH	Marshall Islands
MT	Montana	MX	Mexico
NE	Nebraska	MP	Northern Mariana Islands
NV	Nevada	PW	Palau

If your place of residence is not included above, leave the State abbreviation blank and write the name of your city and territory or country in the space for city.

4. Write in the two-letter abbreviation for your current State/Country of legal residence. Use the State/Country abbreviations list above.

6. Write in your birth date. For example, if you were born on July 5, 1972, you would write in:

0	7	0	5	7	2
Month		Day		Year	

7. If you are a U.S. citizen (or U.S. national), check the first box and go on to Question 8.

Check the second box and write in your 8 or 9 digit Alien Registration Number if you are one of the following:

- U.S. permanent resident, and you have an Alien Registration Receipt Card (I-151 or I-551).
- Other eligible noncitizen with a Departure Record (I-94) from the U.S. Immigration and Naturalization Service showing any one of the following designations: (1) "Refugee." (2) "Asylum Granted." (3) "Indefinite Parole," and/or "Humanitarian Parole." (4) "Cuban-Haitian Entrant."
- Other eligible noncitizen with a Temporary Resident Card (I-688).

If you are a citizen of the Marshall Islands, Federated States of Micronesia, or Palau, see your financial aid administrator.

If you cannot check the first or second box, you must check the third box. If you are in the U.S. on only an F1 or F2 student visa, only a J1 or J2 exchange visitor visa, or only a G series visa (pertaining to international organizations), you must check the third box.

9. Check your year in college from July 1, 1991 to June 30, 1992.

10. Check "No" if you do not have a Bachelor's degree and you will not have one by July 1, 1991.

Check "Yes" if you already have a Bachelor's degree or will have one by July 1, 1991. Check "Yes" if you have or will have a degree from a university in another country that is equal to a Bachelor's degree.

Section B: Student Status

Answer Question 11. A blank counts as "No".

11. a. Check the correct box. (See your answer to Question 6.)

b. Check "Yes" if you are a veteran of active service in the U.S. Army, Navy, Air Force, Marines or Coast Guard. Also check "Yes" if you are **not** a veteran **now** but will be one by June 30, 1992.

Check "No" if you are or were:

- never in the U.S. Armed Forces.
- only an ROTC student.
- only a cadet or midshipman at one of the service academies.
- only a National Guard or Reserves enlistee, or
- currently serving in the U.S. Armed Forces, and will continue to serve through June 30, 1992.

c. Check "Yes" if (1) both your parents are dead **and** you don't have an adoptive parent or legal guardian, or (2) if you are currently a ward of the court. For a definition of a **"Legal Guardian"**, see Page 9. Otherwise check "No."

d. Check "Yes" if you have any children who get more than half of their support from you. Also check "Yes" if other people live with you and get more than half of their support from you and will continue to get that support during the 1991-92 school year. (Don't include your spouse.) Otherwise check "No."

"Parents" in Questions 12, 14, and 15 means your mother and/or father or your adoptive parents or legal guardian. "Parents" does not mean foster parents and, for this section, it does not mean stepparent. Later, the instructions will tell you if you should supply information about your stepparents.

Unmarried Undergraduate Students Only

12. If your parents claimed you as an exemption on their 1989 income tax return and/or will do so on their 1990 income tax return, you must answer "Yes." If your parents are divorced or separated, answer "Yes" if either of your parents claimed you as an income tax exemption in 1989 and/or will do so on their 1990 income tax return. Otherwise check "No."

13. Check the box that best describes when you first received Federal student aid, **beginning with the 1987-88 school year** (July 1, 1987 – June 30, 1988). Check only one box: a, b, c, d, **or** e.

Federal Student Aid Includes:

- Pell Grant,
- Stafford Loan/**Guaranteed** Student Loan (GSL), including Supplemental Loans for Students (SLS)
- Supplemental Educational Opportunity Grant (SEOG),
- College Work-Study (CWS),
- Perkins Loan/National Direct Student Loan (NDSL), or
- State Student Incentive Grant (SSIG). These grants often have other names such as Student Incentive Grants, Incentive Grants, Tuition Grants, etc.

Below are some examples to help you answer Question 13.

EXAMPLE #1

Buck Bundy received Federal student aid in the 1986-87 and 1987-88 school years. Therefore, Buck should check box "a". Even if Buck had received Federal student aid in the 1985-86 and 1987-88 school years, he should still check box "a" because the first school year (beginning with 1987-88) in which he received Federal student aid is 1987-88.

EXAMPLE #2

Jeff Abbot **first** received Federal student aid in the 1988-89 school year. Therefore, Jeff should check box "b".

EXAMPLE #3

Wu Lin **first** received Federal student aid in the 1989-90 school year. Therefore, Wu should check box "c".

EXAMPLE #4

Kate Murphy **first** received Federal student aid in the 1990-91 school year. Therefore, Kate should check box "d".

EXAMPLE #5

Vickie Tingley received Federal student aid in the 1986-87 school year **and** has not received Federal student aid since then. Therefore, Vickie should check box "e".

EXAMPLE #6

Joaquin Rodriguez has never received Federal student aid. Therefore, Joaquin should check box "e".

14a-14e. When figuring your resources in Question 14a, 14b, 14c, 14d, or 14e be sure to include:

- wages, salaries, and tips, etc.
- interest income and dividend income,
- any student financial aid (except PLUS loans),
- personal long term cash loans used for educational purposes, **and**
- any other income and benefits (such as veteran's cash benefits, fellowships, etc.).

Don't include any resources from your parents such as money that you earned from them or gifts that you received from them.

Married or Graduate/Professional Students Only

15. If your parents will claim you as an exemption on their 1991 income tax return, you must answer **"Yes"**.

You must see your college financial aid administrator before completing the rest of this form if:

- you answered "NO" to **all** of the questions in 11 but after answering Question 12 through 14, or 15 you were told to fill out the gray and the white areas, **and**
- you were not required to provide parental information in 1990-91, **and**
- you were claimed by any person, other than your spouse, as a tax exemption in 1990.

Important Instructions For Sections C, D, E, F, G, and I

Parents' Information — Purple Areas

Read the descriptions below. Check the box that is true for you and follow the instructions.

☐ **Your parents are both living and married to each other.** Answer the questions on the rest of the form about them.

☐ **You have a legal guardian.** Answer the questions on the rest of the form about your **"Legal Guardian"**. For a definition of "Legal Guardian" see Page 9.

☐ **Your parents have divorced or separated.** Answer the questions on the rest of the form about the parent you lived with most in the last 12 months. For example, if you lived with your mother most, answer the questions about her, and not about your father. If you did not live with one parent more than with the other in the last 12 months, answer in terms of the parent who provided the most financial support during that time. If neither parent provided greater financial support during the last 12 months, answer in terms of the parent who provided the greater support during the most recent calendar year. (Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, payment of college costs, etc.)

☐ **Your parent is widowed or single.** Answer the questions on the rest of the form about that parent.

If you have a stepparent. If the parent that you claimed above has married or remarried, you must include information about your stepparent (even if they were not married in 1990).

If you are giving information about your stepparent, note that whenever we say "parents" on the rest of the form, we also mean your stepparent.

Section C: Your Parents' Household Information — Purple Area

16. Show the current marital status of the people that you give information about on this form. For example, if you give information about your mother and stepfather, check the box that says "married", because your mother and stepfather are married.

17. Write in the two-letter **abbreviation** for your parents' current State/Country of **legal** residence. See the list of State/Country abbreviations under the Instructions for Question 2.

18. Write in the number of people that your parents will support between July 1, 1991 and June 30, 1992. Include your parents and yourself. Include your parents' other children if they get more than half of their support from your parents. Also include them if they would be required to provide parental information when applying for Federal student aid for the 1991-92 school year. Include other people only if they now live with and get more **than** half of their support from your parents and will continue to get this support between July 1, 1991 and June 30, 1992. (Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, payment of college costs, etc.)

19. Write in the number of people from Question 18, including yourself, who will be going to college between July 1, 1991 and June 30, 1992. Include only students enrolling for at least 6 credit hours per term. If the school uses clock hours, include only students attending at least 12 clock hours per week.

Section C: Your (& Your Spouse's) Household Information — Gray Area

Fill out this section with information about yourself (and your spouse). If you are divorced, separated, or widowed, don't include information about your spouse.

20. Write in the number of people that you will support between July 1, 1991 and June 30, 1992. Include yourself and your spouse. Include your children if they get more than half of their support from you. Include other people only if they meet the following criteria:

- they now live with you, **and**
- they now get more than half of their support from you, and they will continue to get this support between July 1, 1991 and June 30, 1992.

21. Write in the number of people from Question 20, including yourself, who will be going to college between July 1, 1991 and June 30, 1992. Include only students enrolling for at least 6 credit hours per term. If the school uses clock hours, include only students attending at least 12 clock hours per week.

Section D: Your Parents' 1990 Income, Earnings, And Benefits — Purple Area

If the instructions tell you to skip a question, leave it blank. If your answer to any other question is "none" or "zero," put a zero in the answer space. **Don't** leave it blank or use dashes. For example:

$ 0 00

If your parents filed (or will file) a **"Foreign Tax Return"** or a **Puerto Rican tax return,** see Page 9.

22. 1990 U.S. income tax figures.

From a completed return. Check only one box to indicate which IRS Form was filed. Use this tax return to answer Questions 23 through 28.

Estimated. Check the correct box if your parents have not yet filed but will file a 1990 U.S. income tax return. Use their financial records to answer Questions 23 through 28. For these questions, you must write in the figures that will be on the tax return. Filling out a 1990 U.S. income tax return will help you answer these questions.

A tax return will not be filed. Check this box if your parents will not file a 1990 U.S. income tax return. Don't answer Questions 23 through 25. Skip to Question 26.

If you are giving information for only one parent and that parent filed (or will file) a joint tax return for 1990, give only that parent's portion of the exemptions and income asked for in Questions 23 through 28.

If your parents are married and they filed (or will file) separate tax returns for 1990, be sure to include both parents' exemptions and income in Questions 23 through 28.

23. Total number of exemptions for 1990. Write in the number from Form 1040, Line 6e or 1040A, Line 6e. If your parent used the 1040EZ and he or she checked "Yes" in Question A of that form, write in "00." Otherwise, write in "01."

Important: See the table below for some of the types of student financial aid that you should exclude from income and taxes in Questions 24 through 28.

Student Financial Aid	Exclude if based on need	Exclude if not based on need
Grants, Scholarships, or Fellowships	Yes	Yes
Earnings from a work program including assistantships	Yes	No
Loans	Yes	Yes

24. Adjusted Gross Income (AGI) for 1990. Don't include any income or capital gains from the sale of a business or farm, if the sale resulted from a voluntary or involuntary foreclosure, forfeiture, or bankruptcy or involuntary liquidation.

Use worksheet #1 on Page 10 to answer Question 24 if you cannot get a 1990 tax form, but will be filing one.

25. U.S. income tax paid for 1990. Make sure this amount doesn't include any FICA, self employment, or other taxes. **Don't** copy the amount of "Federal income tax withheld" from a W-2 form.

26. Income earned from work in 1990.

&

27. If you skipped Questions 23 through 25, include your parents' earnings from work in 1990. Add up the earnings from your parents' W-2 forms and any other earnings from work that are not included on the W-2.

If you answered Questions 23 through 25, include the "wages, salaries, tips, etc." from your parents' Form 1040, Line 7; 1040A, Line 7; or 1040EZ, Line 1. If your parents filed a joint return, report your father's and mother's earnings separately if your parents own a business or farm; also add in the numbers from Form 1040, Lines 12 and 17.

28. Untaxed income and benefits for 1990

a. **Social security benefits for 1990.** Write in the amount of untaxed social security benefits (including Supplemental Security Income) that your parents got in 1990. Don't include any benefits reported in Question 24. Don't report monthly amounts; write in the total for 1990. Be sure to include the amounts your parents got for you and their other children.

b. **Aid to Families with Dependent Children (AFDC or ADC) for 1990.** Don't report monthly amounts; write in the total for 1990. Don't report social security benefits here.

c. **Child support received for all children.** Include the student. Don't report monthly amounts; write in the total for 1990.

d. **Other untaxed income and benefits for 1990.** Add up your parents' untaxed income and benefits for 1990. Use worksheet #2 on Page 10. Be sure to include your parent's earned income credit and deductible IRA, Keogh payments, if any.

Everyone must answer the questions in the Student (& Spouse) column in Section D

Section D: Your (& Your Spouse's) 1990 Income, Earnings And Benefits

If the instructions tell you to skip a question, leave it blank. If your answer to any other question is "none" or "zero," put a zero in the answer space. **Don't** leave it blank or use dashes. For example:

$ 0 00

If you (or your spouse) filed (or will file) a **"Foreign Tax Return"** or a **Puerto Rican tax return,** see Page 9.

22. 1990 U.S. income tax figures.

From a completed return. Check only one box to indicate which IRS Form was filed. Use this tax return to answer Questions 23 through 28.

Estimated. Check the correct box if you (and your spouse) have not yet filed but will file a 1990 U.S. income tax return. Use your financial records to answer Questions 23 through 28. For these questions, you must write in the figures that will be on the tax return. Filling out a 1990 U.S. income tax return will help you answer these questions.

A tax return will not be filed. Check this box if you (and your spouse) will not file a 1990 U.S. income tax return. Don't answer Questions 23 through 25. Skip to Question 26.

If you are divorced, separated, or widowed, and you filed (or will file) a joint tax return for 1990, give only your portion of the exemptions and income asked for in Questions 23 through 28.

If you are married and you and your spouse filed (or will file) separate tax returns for 1990, be sure to include both your and your spouse's exemptions and income in Questions 23 through 28, even if you were not married in 1990.

23. Total number of exemptions for 1990. Write in the number from Form 1040, Line 6e or 1040A, Line 6e. If you used the 1040EZ and you checked "Yes" in Question A of that form, write in "00"; otherwise write in "01."

Important: See the table below for some of the types of student financial aid that you should exclude from income and taxes in Questions 24 through 28.

Student Financial Aid	Exclude if based on need	Exclude if not based on need
Grants, Scholarships, or Fellowships	Yes	Yes
Earnings from a work program including assistantships	Yes	No
Loans	Yes	Yes

24. Adjusted Gross Income (AGI) for 1990. Don't include any income or capital gains from the sale of a business or farm, if the sale resulted from a voluntary or involuntary foreclosure, forfeiture, or bankruptcy or involuntary liquidation.

Use worksheet #1 on Page 10 to answer Question 24 if you cannot get a 1990 tax form, but will be filing one.

25. **U.S. income tax paid for 1990.** Make sure this amount doesn't include any FICA, self-employment, or other taxes. **Don't** copy the amount of "Federal income tax withheld" from a W-2 form.

26. **Income earned from work in 1990.**

a.

27. **If you skipped Questions 23 through 25,** include your (and your spouse's) earnings from work in 1990. Add up the earnings from your (and/or your spouse's) W-2 forms and any other earnings from work that are not included on the W-2.

If you answered Questions 23 through 25, include the "wages, salaries, tips, etc." from your (and your spouse's) Form 1040, Line 7; 1040A, Line 7; or 1040EZ, Line 1. If you (and your spouse) filed a joint return, report your (and your spouse's) earnings separately. If you (and/or your spouse) own a business or farm, also add in the numbers from Form 1040, Lines 12 and 19.

28. **Untaxed income and benefits for 1990.**

Don't include benefits reported in Questions 28a, 28b, 28c, and 28d of the parent column here.

a. **Social security benefits for 1990.** Write in the amount of untaxed social security benefits (including Supplemental Security Income) that you (and your spouse) got in 1990. Don't include any benefits reported in 24. Don't report monthly amounts; write in the total for 1990. Be sure to include the amounts that you got for your children.

b. **Aid to Families with Dependent Children (AFDC or ADC) for 1990.** Don't report monthly amounts; write in the total for 1990. Don't report social security benefits here.

c. **Child support received for all children.** Don't report monthly amounts; write in the total for 1990.

d. **Other untaxed income and benefits for 1990.** Add up your (and your spouse's) untaxed income and benefits for 1990. Use worksheet #2 on Page 10. Be sure to include your (and your spouse's) earned income credit and deductible IRA, Keogh payments, if any.

Section E: College Release And Certification

29. Print the complete name, address, city and state of the college you are most likely to attend in the first choice space for Question 29. In the second space, print the name and address of your second college choice. In the third space, print the name and address of your third college choice. Do not use abbreviations for the name or address of the college. If the college you may be going to is a branch campus, be sure to include the complete name of the branch. Be sure to fill in the housing code for each college listed. USA Funds will send Financial Aid Institutional Reports (called FAIRs) to each of these colleges unless you answer "No" to Question 30c or the school has asked us not to send FAIRs to them.

30. a. Check "Yes" if you want USA Funds to send information from this form to the U.S. Department of Education so that you can be considered for a Pell Grant and other Federal student financial aid. If you leave the answer to this question blank or mark "No", your form will be returned to you.

The U.S. Department of Education is permitted by regulation to provide your name, address, social security number, date of birth, Pell Grant Index (PGI), Family Contribution (FC), student status, year in college, and State of legal residence to the college(s) that you listed in Question 29 (or its representative), even if you check "No" to Question 30c. This information will also go to the State agencies in your State of legal residence to help coordinate State financial aid programs with Federal student aid programs, even if you check "No" to Question 30b. However, no additional information such as income information will be sent if you check "No" to Question 30b or 30c.

b. Check "Yes" if you give the Department of Education permission to send information from this form to the financial aid agencies in your State. Some State agencies ask for this information. They may use it to help decide whether you will get a State award and to check to see if you reported correct information on your State student aid application. Also, they may use it to help in the processing of your application for a Stafford Loan, if you are eligible.

Check "No" if you don't want information from this form sent to the financial aid agencies in your State. If you check "No," any State aid you might be eligible for may be delayed, but it will have no effect on your Federal aid.

c. Check "Yes" if you give the Department of Education permission to send information from this form to the college(s) that you listed in Question 29 (or its representative). Many colleges use this information to help estimate the amount of your financial aid package.

Check "No" if you don't want information from this form sent to the college(s) that you listed in Question 29 (or its representative).

31. **Selective Service Registration**

In order to receive Federal student aid you must be registered with Selective Service if:

- you are a male who is at least 18 years old and born after December 31, 1959.

Check the box only if you:

- *are* a male and are 18 through 25 years of age, ***and***
- have not yet registered with Selective Service, ***and***
- give Selective Service permission to register you.

If you wish to register with Selective Service using this form, you must give permission for USA Funds to send your SINGLEFILE FORM information to the U.S. Department of Education. You can do this by answering "yes" to Question 30a.

If you believe that you are not required to be registered, call Selective Service at 1-800-621-5388 for information regarding exemptions.

32. **Read and sign**

You must sign this form. If you don't sign this form, it will be returned unprocessed. If you are married, your spouse must sign this form. If you filled out the purple and the white areas, at least one of your parents must also sign this form. **Everyone signing this form is certifying that all information on the form is correct** and that they are willing to provide documents to prove that the information is correct. Such documents may include U.S., State, or local tax returns. Any SINGLEFILE FORM dated or received before January 1, 1991 will be returned unprocessed.

Sending In Your Form

Double-check your form to make sure it is complete and accurate. Be sure it has the necessary signatures.

Put the form in the envelope provided in this booklet. Don't send money. Don't put letters, tax forms, worksheets, or any extra materials in the envelope. **They will be destroyed.**

Please turn the page.

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ATTENTION

WORKSHEET #3A

Eligibility for Simplified Needs Test

If you are filling out the purple and white areas, you will need to refer to Section D to complete worksheet #3A below. The worksheet will tell you whether you must fill out the Supplemental Information (Sections F through I).

WORKSHEET #3A FOR THE SIMPLIFIED NEEDS TEST

1. Did or will you, your spouse, or your parents file an IRS Form 1040? (Does not include 1040A or 1040EZ.)
   - ☐ Yes (Fill out Sections F through I.)
   - ☐ No (Fill out the rest of this worksheet.)

Check "Yes" if a foreign or Puerto Rican tax return was or will be filed.

	Parents Column A	Student/Spouse Column B
Income From:		
2a. Question 24	$ .00	$ .00
OR		
2b. Question 26 and 27 (use only if you left Question 24 blank)	$ .00	$ .00
3. Write in the total of column A and column B entries from Question 2.	$ .00	

If the total from 3 is $15,001 or more, you must fill out Sections F-I.

If the total from 3 is $15,000 or less, you do not have to fill out the rest of this form. Use the attached envelope to mail this form to USA Funds, PO. Box 6181, Indianapolis, IN 46206-6181.

However, it may be in your best interest to complete the rest of the form if:

- You want to be considered for financial aid from the college or state financial aid agency (the college or state may require the information on the rest of the form).
- You want to be considered for the Federal Stafford Loan Program (complete at least Section K); or
- You, your spouse, or at least one of your parents is a dislocated worker (complete Sections F-I).

Failure to provide this information could result in delays in receiving your financial aid (the school or agency may need to send you a request for the information you did not provide) or your not receiving all of the aid to which you are entitled (e.g., you or a member of your family is a dislocated worker).

WORKSHEET #3B

If you are filling out the gray and white areas, you will need to refer to Section D to complete worksheet #3B below. The worksheet will tell you whether you must fill out the Supplemental Information (Sections F through I).

WORKSHEET #3B FOR THE SIMPLIFIED NEEDS TEST

1. Did or will you, (or your spouse) file an IRS Form 1040? (Does not include 1040A or 1040EZ.)
   - ☐ Yes (Fill out Sections F through I.)
   - ☐ No (Fill out the rest of this worksheet.)

Check "Yes" if a foreign or Puerto Rican tax return was or will be filed.

	Student/Spouse
Income From:	
2a. Question 24	$ .00
OR	
2b. Question 26 and 27 (use only if you left Question 24 blank)	$ .00

If the answer from either Question 2a or 2b is $15,001 or more, you must fill out Sections F-I.

If the answer from either Question 2a or 2b is $15,000 or less, you do not have to fill out the rest of this form. Use the attached envelope to mail this form to USA Funds, P.O. Box 6181, Indianapolis, IN 46206-6181.

However, it may be in your best interest to complete the rest of the form if:

- You want to be considered for financial aid from the college or state financial aid agency (the college or state may require the information on the rest of the form).
- You want to be considered for the Federal Stafford Loan Program (complete at least Section K); or
- You or your spouse is a dislocated worker (complete Sections F-I).

Failure to provide this information could result in delays in receiving your financial aid (the school or agency may need to send you a request for the information you did not provide) or your not receiving all of the aid to which you are entitled (e.g., you or your spouse is a dislocated worker).

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Instructions For The Supplemental Information

Section F: Parents' 1990 Expenses — Purple Area

Don't leave any of these questions blank. If a question doesn't apply to you, write in "0".

33. Medical and dental expenses in 1990 not paid by insurance. Write in the amount of money that your parents **paid** in 1990 for medical and dental expenses (include insurance premiums). Don't include amounts covered by insurance or self-employed health deductions from Form 1040-Line 26. If your parents itemized deductions on their 1990 U.S. income tax return, write in the amount from Form 1040, Schedule A, Line 1.

34. Elementary, junior high, and high school tuition paid in 1990.

a. Write in the amount of money that your parents **paid** in 1990 for elementary, junior high, and high school tuition for family members who were included in Question 18. (Tuition doesn't include room, board, books, transportation, etc.) **Don't include** tuition paid by scholarships. Also, don't include tuition that your parents paid for you or any tuition for preschool or college.

b. Write in the number of dependent children for whom the amount listed in 34a was paid in 1990. **Don't include** yourself (the student) **or** any person who was not included in Question 18.

Section F: Your (& Your Spouse's) 1990 Expenses — Gray Area

Don't leave any of these questions blank. If a question doesn't apply to you, write in "0".

33. Medical and dental expenses in 1990 not paid by insurance. Write in the amount of money that you (and your spouse) **paid** in 1990 for medical and dental expenses (include insurance premiums). Don't include amounts covered by insurance or self-employed health deductions from Form 1040-Line 26. If you (and your spouse) itemized deductions on your 1990 U.S. income tax return, write in the amount from Form 1040, Schedule A, Line 1.

34. Elementary, junior high, and high school tuition paid in 1990.

a. Write in the amount of money that you (and your spouse) **paid** in 1990 for elementary, junior high, and high school tuition for family members who **were** included in Question 20. (Tuition doesn't include room, board, books, transportation, etc.) **Don't include** tuition that you **paid** for yourself, tuition paid by scholarships, **or** any tuition paid for preschool or college.

b. Write in the number of dependent children for whom the amount listed in 34a was paid in 1990. **Don't include** yourself, or any person who was not included in Question 20.

Section G: Your Parents' Assets — Purple Area

Don't leave any of these questions blank. If a question doesn't apply to you, write in "0".

You must give information about your parents' assets in Section G. If you are giving information for only one parent and that parent has jointly owned assets, give only that parent's portion of the assets and debts. If your parents have assets owned jointly with someone else, give only your parents' portion of the assets and debts.

In Section G, **don't include:**

- Personal or consumer loans, or any debts that are not related to the assets listed.
- The value of retirement plans (pension funds, annuities, IRA, Keogh Plans, etc.)
- Student financial aid.

35. Check "Yes" if either of your parents (for whom you are providing information) meets **all** of the following descriptions for a displaced homemaker:

- your parent has not worked full-time in the labor force for a substantial number of years (e.g., approximately five years or more) but has, during those years, worked in the home providing unpaid services for family members; **and**
- your parent has been dependent on public assistance or on the income of another family member but is no longer receiving that income, or your parent is receiving public assistance because of dependent children in the home; **and**
- your parent is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.

"Unemployed" means not working this week but being available for work. To qualify, your parent must have made specific efforts to get a job sometime during the last four weeks.

"Underemployed" means working part-time even though your parent wants full-time employment. It refers to a condition where work is slack or only part-time work is available.

Check "No" if neither of your parents meets all the descriptions mentioned above.

36. Write in the age of the older parent for whom you gave information on this form.

38. House. If your parents own a home, write in how much the home is worth. Use the price your parents could reasonably expect to receive for their home if it went on sale **today. Don't** use assessed, insured, or taxed value. A "home" includes a house, mobile home, condominium, etc. If your parents are renters, write in "0".

Then, write in how much your parents owe on the home, including the present mortgage and related debts on the home. (Don't include interest due.) Check with the mortgage company if you don't know.

39. Other real estate and investments. If your parents own other real estate (including rental property, land, second or summer homes) or have investments, write in how much they are worth **today.** Investments include trust funds, money market funds, mutual funds, certificates of deposit, stocks, bonds, other securities, installment and land sale contracts (including mortgages held), commodities, precious and strategic metals, etc.

Then, write in how much your parents owe on other real estate and investments.

40. Business and farm. If your parents own a business and/or farm, write in how much the business and/or farm are worth today. Include the value of land, buildings, machinery, equipment, livestock, inventories, etc. Don't include the home. (Home value and debt should be given in Question 38.)

Then, write in what your parents owe on the business and/or farm. Include only the present mortgage and related debts for which the business and/or farm were used as collateral.

If your parents are not the sole owners, write in only their share of the total value and debt.

Section G: Your (& Your Spouse's) Assets

Don't leave any of these questions blank. If a question doesn't apply to you, write in "0".

You must give information about your (and your spouse's) assets in Section G. If you are divorced or separated and you and your spouse have jointly owned assets, give only your portion of the assets and debts. If you (and your spouse) have assets owned jointly with someone else, give only your (and your spouse's) portion of the assets and debts. Be sure to give information about assets held in trust for you (and your spouse).

In Section G, **don't include:**

- Personal or consumer loans, or any debts that are not related to the assets listed.
- The value of retirement plans (pension funds, annuities, IRA, Keogh Plans, etc.)
- Student financial aid.

35. Check "Yes" if you or your spouse meet **all** of the following descriptions for a displaced homemaker:

- you or your spouse has not worked full time in the labor force for a substantial number of years (e.g., approximately five years or more) but has, during those years, worked in the home providing unpaid services for family members; **and**
- you or your spouse has been dependent on public assistance or on the income of another family member but is no longer receiving that income, or you or your spouse is receiving public assistance because of dependent children in the home; **and**

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- you or your spouse is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.

"Unemployed" means not working this week but being available for work. To qualify, you or your spouse must have made specific efforts to get a job sometime during the last four weeks.

"Underemployed" means working part-time even though you want or your spouse wants full-time employment. It refers to a condition where work is slack or only part-time work is available.

Check "No" if neither you nor your spouse meets all of the descriptions mentioned above.

38. Home. If you (and/or your spouse) own a home, write in how much the home is worth. Use the price you could reasonably expect to receive for the home if it were on sale **today. Don't** use assessed, insured, or taxed value. A "home" includes a house, mobile home, condominium, etc. Renters, write in "0".

Then, write in how much you (and/or your spouse) owe on the home, including the present mortgage and related debts on the home. (Don't include interest due.) Check with the mortgage company if you don't know.

39. Other real estate and investments. If you (and/or your spouse) own other real estate (including rental property, land, second or summer homes) or have investments, write in how much they are worth **today.** Investments include trust funds, money market funds, mutual funds, certificates of deposit, stocks, bonds, other securities, installment and land sale contracts (including mortgages held), commodities, precious and strategic metals, etc.

Then, write in how much you (and/or your spouse) owe on other real estate and investments.

40. Business and farm. If you (and/or your spouse) own a business and/or farm, write in how much they are worth today. Include the value of land, buildings, machinery, equipment, livestock, inventories, etc. Don't include the home. (Home value and debt should be given in Question 38.)

Then, write in what you (and/or your spouse) owe on the business and/or farm. Include only the present mortgage and related debts for which the business and/or farm were used as collateral.

If you (and your spouse) are not the sole owners, write in only your (and your spouse's) share of the total value and debt.

Section H: Your 1991-92 Veterans Educational Benefits Per Month (for the student only)

42. Your Veterans Dependents Educational Assistance Program Benefits.

a. Write in the amount of veterans Dependents Educational Assistance Program (Chapter 35) benefits that you expect to get per month **from July 1, 1991 through June 30, 1992. Don't include** Death Pension, Dependency & Indemnity Compensation (DIC).

b. Write in the number of months **from July 1, 1991 through June 30, 1992** that you expect to get those benefits.

43. Your Veterans Contributory Benefits (VEAP).

a. Write in the amount of Veterans Contributory Benefits (Chapter 32) that you expect to get per month **from July 1, 1991 through June 30, 1992.** (Include both the Government and student portions.) **Don't include** Death Pension, Dependency & Indemnity Compensation (DIC), or your spouse's *GI Bill*.

b. Write in the number of months **from July 1, 1991 through June 30, 1992** that you expect to get those benefits.

Section I: Your Parents' Expected 1991 Taxable And Nontaxable Income And Benefits — Purple Area

How to figure expected amounts

This section asks about income and benefits that your parents expect to get. If your parent is divorced, separated, or widowed, don't include information about the other parent. Answer these questions as accurately as you can. If a question doesn't apply, or your parents don't expect to get any income or benefits from that source, write in "0".

44. Check "Yes" if either of your parents (for whom you are providing information) is currently certified as a **"Dislocated Worker"** by the appropriate State agency (see Page 9).

If you checked "Yes", you may be asked to document your parents' status as a dislocated worker.

Check "No" if neither of your parents is certified as a dislocated worker. Skip to Question 44 in the Student (& Spouse) column.

Important: See the table on Page 4 for the kinds of income and taxes to leave out of Section I.

45. and 46. 1991 income earned from work. Include wages, salaries, and tips. See **Important** note above.

47. 1991 other taxable income. Write in the total amount of other taxable income that your parents will report on their 1991 IRS Form 1040, 1040A, or 1040EZ. Include interest and dividend income and any other taxable income. **Don't** include any unemployment compensation or any income that you reported in Questions 45 and 46.

48. 1991 U.S. income tax to be paid. Write in the amount of income taxes that your parents expect to pay in 1991. Make sure this amount doesn't include any FICA, self-employment, or other taxes.

49. 1991 nontaxable income and benefits. These are the same types of income and benefits that were asked for in Questions 28a, 28b, 28c, and 28d.

Section J: Your (And Your Spouse's) Expected 1991 Taxable And Nontaxable Income And Benefits

How to figure expected amounts

This section asks about income and benefits that you (and your spouse) expect to get. If you are divorced, separated, or widowed, don't include information about your spouse. Answer these questions as accurately as you can. If a question doesn't apply, or if you don't expect to get any income or benefits from that source, write in "0".

44. Check "Yes" if you or your spouse is currently certified as a **"Dislocated Worker"** by the appropriate State agency (see Page 9).

If you checked "Yes", you may be asked to document your status (or that of your spouse) as a dislocated worker.

Check "No" if neither you nor your spouse is certified as a dislocated worker. Skip the rest of this section.

Important: See the table on Page 4 for the kinds of income and taxes to leave out of Section J.

45. and 46. 1991 income earned from work. Include wages, salaries, and tips. See **Important** note above.

47. 1991 other taxable income. Write in the total amount of other taxable income that you (and your spouse) will report on your 1991 IRS Form 1040, 1040A, or 1040EZ. Include interest and dividend income and any other taxable income. **Don't** include any unemployment compensation or any income that you reported in Questions 45 and 46.

48. 1991 U.S. income tax to be paid. Write in the amount of income taxes that you (and your spouse) expect to pay in 1991. Make sure this amount doesn't include any FICA, self-employment, or other taxes.

49. 1991 nontaxable income and benefits. These are the same types of income and benefits that were asked for in Questions 28a, 28b, 28c, and 28d.

Section J: Additional College Aid Questions

50. Enrollment status. Please check the box next to the item that most closely matches your intended enrollment in classes for the 1991-92 school year.

51. Dates of attendance. Please indicate the dates (month and year) you plan to be attending school during the 1991-92 school year.

52. Schools attended. Please indicate the number of post-secondary (beyond high school) institutions you have attended not including the school you plan to attend during the 1991-92 school year.

53. Student's telephone number. Enter the telephone number at the address you listed in Question 2.

Section K: Stafford Loan Information

54. Indicate any unpaid Stafford Loans (formerly GSL) or Federally Insured Student Loans (FISL). Include any unpaid portion of a Stafford Loan which is included in a Consolidation Loan. Include all such loans you received *at all* of the colleges you have attended. Do not

include Supplemental Loans for Students (SLS), Auxiliary Loans to Assist Students (ALAS), Perkins Loans, or PLUS Loans.

If you have made payments on your loans, and you do not know what your unpaid balance is, contact your lender. If you never received a Stafford Loan or GSL or you have repaid all of your Stafford Loans or GSLs, write in "0." If your answer is "0," skip Questions 55 through 59.

NOTE: The term "**most recent** Stafford" in Questions 55 through 58 refers to the latest Stafford Loan that has been approved for you. Do not indicate loans that have not been approved.

55. Enter the total amount of your **most recent** Stafford Loan or GSL less any payments you have made to reduce the balance of this loan.

56. Enter the interest rate from your **most recent** Stafford Loan or GSL.

57. Enter the date(s) from the school section on your copy of your **most recent** Stafford Loan or GSL application.

58. Enter your class level when you received your **most recent** Stafford Loan or GSL.

59. Indicate if you have ever defaulted on a Stafford Loan, Guaranteed Student Loan (GSL), a Health Education Assistance Loan (HEAL), a PLUS/ALAS/SLS (Parent Loan, Auxiliary Loan to Assist Students, Supplemental Loans for Students), a Perkins Loan (formerly NDSL, National Defense/Direct Student Loan), an Income Contingent Loan or a Consolidation Loan. Default means your loan was purchased from the lender by the Guarantor. You then owe the money to the Guarantor.

Special Instructions/Definitions

Dislocated Worker — To be considered a dislocated worker, you must be currently certified as one by a State agency such as your local Employment Service or Job Service. This certification is done in accordance with Title III of the Job Training Partnership Act. A dislocated worker generally means a person who:

- has been terminated or laid-off or has received a notice of termination or lay-off;
- has been terminated or received a notice of termination as a result of permanent closure of a plant or other facility; or
- was self-employed (including farmers) but is now unemployed because of prior economic conditions in the community or a natural disaster.

Foreign Tax Return — If you and your spouse, or your parents, **won't** be filing a U.S. income tax return in 1990, (for example, Puerto Rican tax filers), follow the instructions below:

- In Question 22, check the box: "completed 1990 IRS Form 1040" (if a foreign tax return has been filed); **or** "estimated 1990 IRS Form 1040" (if a foreign tax return will be filed);
- use the information from that tax return to fill out this form;
- convert all figures to U.S. dollars, using the exchange rate that is in effect **today**; and
- fill out the Supplemental Information (Sections F-I).

Legal Guardian — A legal guardian is a person whom a court has:

- appointed to be your legal guardian and this legal relationship will continue after June 30, 1992; **and**
- directed to support you with his or her own financial resources.

Native Americans — If you are a Native American, report the amount of income and assets over $2,000 per individual payment that you and your spouse or your parents received in 1990 from the Per Capita Act or the Distribution of Judgment Funds Act. If $2,000 or less per individual payment was received from either of these Acts, don't report it. Don't report funds received as an award under the Alaska Native Claims Settlement Act or the Maine Indian Claims Settlement Act. Also, don't include any assets received from the Alaska Native Claims Settlement Act.

Additional Information on the Federal Student Financial Aid Programs

Do All Schools Take Part In The Federal Student Financial Aid Programs?

No. More than 8,600 schools do take part in one or more of them. Contact your school's financial aid administrator to find out which Federal programs your school participates in.

Where Can I Get More Information On Federal Student Financial Aid?

This booklet gives you only a brief summary of the student financial aid programs offered by the U.S. Department of Education. Each student financial aid program has its own special features and procedures. You can get more information from the booklet: **The Student Guide: Financial Aid from the U.S. Department of Education — Grants, Loans and Work-Study 1991-92.** To get a free copy, write to:

Federal Student Aid Information Center
P.O. Box 84
Washington, D.C. 20044

What Happens After I Mail In My Form?

Within four to six weeks after you mail in your form, USA Funds, under contract with the U.S. Department of Education, will send you a **Student Aid Report** (SAR). On the SAR will be either a request for further information or numbers called a **Pell Grant Index** (PGI) and a **Family Contribution** (FC). The Department of Education uses formulas established by law to figure these numbers from the information you give us. Your school or the U.S. Department of Education may ask you to prove that the information you give on your application is true.

What Is My Pell Grant Index (PGI)?

The PGI is a number that tells whether you may be able to get a Pell Grant. If you are eligible for a Pell Grant, your school will use this number to determine the amount of your award. Even if you don't qualify for a Pell Grant, you may still qualify for one or more of the other Federal programs. Be sure to ask your financial aid administrator if your school needs any additional information from you for these other programs.

What Is My Family Contribution (FC)?

The FC is a number that helps your financial aid administrator determine if you are able to get one of the several available forms of assistance. These include Stafford Loan, SEOG, CWS, and Perkins Loan. Your school will use this number to determine the amount of your grant, loan or work-study award.

What Happens If I Don't Get A SAR Or I Need Another Copy Of My SAR?

If you don't get a SAR within four to six weeks, or you need another copy of your SAR, write to:

Federal Student Aid Programs
c/o USA Funds
P.O. Box 6182
Indianapolis, IN 46206-6182

Give your name, address, social security number, and date of birth. Be sure to ask for another copy of your **1991-92 SAR.** If your address has changed since you sent in your application, be sure to give us both your old and your new address. Be sure to sign your letter.

What If My Situation Changes?

- Questions 11, 15, 18, 19, 20, and 21 ask you to make projections for the upcoming year. If your answers to these questions change, **wait** until you receive your SAR and then see your financial aid administrator.
- The income and expenses information that you give must be accurate. They must match what is or will be on your 1990 income tax forms. If your financial situation has recently changed, contact your financial aid administrator.

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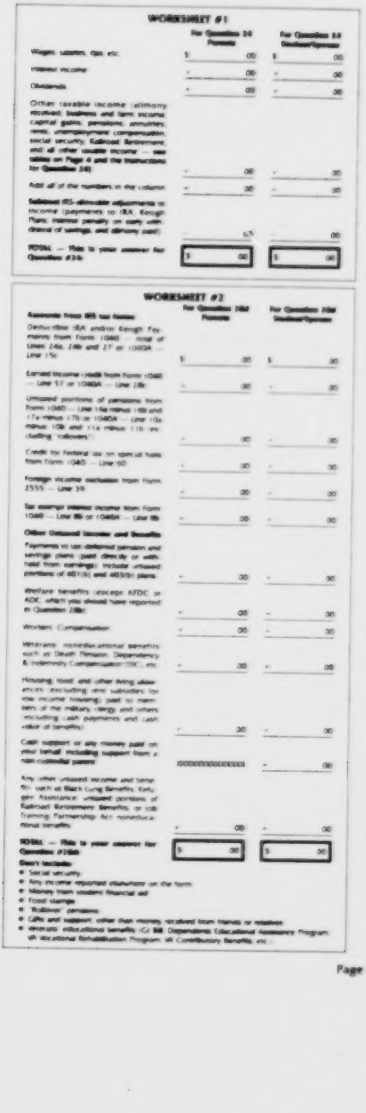

WORKSHEET #1

	For Question 30 Parents	For Question 31 Student/Spouse
Wages, salaries, tips, etc.	$ .00	$ .00
Interest income	+ .00	+ .00
Dividends	+ .00	+ .00
Other taxable income (alimony received, business and farm income, capital gains, pensions, annuities, rents, unemployment compensation, social security, Railroad Retirement, and all other taxable income — see notes on Page 4 and the instructions for Question 34b)	+ .00	+ .00
Add all of the numbers in the column	+ .00	+ .00
Subtract IRS-allowable adjustments to income (payments to IRA, Keogh Plans, interest penalty on early withdrawal of savings, and alimony paid)	- .00	- .00
TOTAL — Title to your answer for Question #30b	$ .00	$ .00

WORKSHEET #2

	For Question 30d Parents	For Question 31d Student/Spouse
Amounts from IRS tax forms:		
Deductible IRA and/or Keogh Payments from Form 1040 — total of Lines 24a, 24b and 27 or 1040A — Line 15c	$ .00	$ .00
Earned income credit from Form 1040 — Line 57 or 1040A — Line 28c	+ .00	+ .00
Untaxed portions of pensions from Form 1040 — Line 16a minus 16b and 17a minus 17b or 1040A — Line 10a minus 10b and 11a minus 11b, including rollovers	+ .00	+ .00
Credit for Federal tax on special fuels from Form 1040 — Line 60	+ .00	+ .00
Foreign income exclusion from Form 2555 — Line 39	+ .00	+ .00
Tax exempt interest income from Form 1040 — Line 8b or 1040A — Line 8b	+ .00	+ .00
Other Untaxed Income and Benefits		
Payments to tax deferred pension and savings plans (paid directly or withheld from earnings); include untaxed portions of 401(k) and 403(b) plans	+ .00	+ .00
Welfare benefits (except AFDC or ADC, which you should have reported in Question 28b)	+ .00	+ .00
Workers' Compensation	+ .00	+ .00
Veterans' noneducational benefits such as Death Pension, Dependency & Indemnity Compensation (DIC), etc.	+ .00	+ .00
Housing, food, and other living allowances (excluding rent subsidies for low income housing) paid to members of the military, clergy, and others, including cash payments and cash value of benefits	+ .00	+ .00
Cash support or any money paid on your behalf, including support from a non-custodial parent	xxxxxxxxxxxx +	.00
Any other untaxed income and benefits such as Black Lung Benefits, Early Intervention payments, Job Training Partnership Act, noneducational benefits	+ .00	+ .00
TOTAL — Title to your answer for Question #31d	$ .00	$ .00

Don't Include:

- Social security
- Any income reported elsewhere on the form
- Money from student financial aid
- Food stamps
- "Rollover" pensions
- Gifts and support, other than money, received from friends or relatives
- Veterans' educational benefits (GI Bill, Dependents Educational Assistance Program, VA Vocational Rehabilitation Program, VA Contributory Benefits, etc.)

We urge you to keep these worksheets. Don't send them in with your application form. You may be asked to refer to them later to verify the information on your application. (It may also help you to show that your SAR is accurate.)

INFORMATION ON THE PRIVACY ACT AND USE OF YOUR SOCIAL SECURITY NUMBER

The Privacy Act of 1974 requires that each Federal agency that asks for your social security number or other information must tell you the following:

1. Its legal right to ask for the information and whether the law says you must give it.
2. What purpose the agency has in asking for it and how it will be used.
3. What could happen if you do not give it.

You must give your social security number (SSN) to apply for Federal student financial aid. The U.S. Department of Education's legal right under the Title IV programs to require that you provide us with your social security number is based on Sections 484(a)(4) of the Higher Education Act of 1965, as amended. The SSN is used under the Pell Grant, Supplemental Educational Opportunity Grant, and College Work-Study programs in recording information about your college attendance and progress, and in making sure that you have received your money. The SSN is also used under the Stafford Loan and Perkins Loan programs to identify the applicant to determine program eligibility and benefits and to permit servicing and collecting of the loans.

If you are applying for Federal student aid only, you must fill out everything except Questions 29, 30, and 31. If you skip Question 30 we will count your answer as "No" for all parts of that question. If you are applying for a Pell Grant only, you can skip Questions 5, 36, and 43.

The authority to request all other information (except the SSN) is based on Sections 411A, 411B, 411C, 411D, 411E 474, 475, 476, 477, 479, and 480 of the Higher Education Act of 1965, as amended. This information is used to determine the amount of Federal student aid for which you may be qualified.

The information which you supplied may be disclosed to third parties that the Department has authorized to assist in administering Federal student aid programs. This disclosure may include private firms that the Department contracts with for the purpose of collating, analyzing, totalling, or refining records in the system and who are required to maintain safeguards under the Privacy Act. This may also be accomplished through computer matching programs such as the ones currently conducted with the Selective Service System and the Immigration and Naturalization Service.

The U.S. Department of Education will provide your name, address, social security number, date of birth, student aid indices, student status, year in college, and State of legal residence to the college(s) that you list in Question 29 (or its representative), even if you check "No" in Question 30c. This information will also go to the State agencies in your State of legal residence to help coordinate State financial aid programs with Federal student aid programs. The Department will provide calculations and determination of eligibility to the agency with which you filed a student aid application, or another similar agency, if you request them to do so. That agency may also release information received from the Department to colleges, State Scholarship agencies, and loan guarantee agencies that you have designated to receive information. Also, the Department may send information to members of Congress if you ask them to help you with Federal student aid questions. If your parents or your spouse provided information on the form they may also request to see all the information on the application.

If the Federal government, the Department or an employee of the Department is involved in litigation, the Department may send information to the Department of Justice, or a court or adjudicative body, if the disclosure is related to financial aid and certain other conditions are met. The information may also be made available to Federal agencies which have the authority to subpoena other Federal agencies' records. In addition, the Department may send your information to a foreign, Federal, State, or local enforcement agency if the information that you submitted indicates a violation or potential violation of the law, which that agency has jurisdiction for investigation or prosecution. Finally, the Department may send information regarding a claim which is determined to be valid and overdue to a consumer reporting agency. This information includes identifiers from the record, the amount, status and history of the claim and the program under which the claims arose.

Remember, we must receive your application by May 1, 1992.

83-1

SINGLEFILE FORM

THE APPLICATION FOR STUDENT FINANCIAL ASSISTANCE

1991-92 School Year

USA FUNDS

Warning: If you purposely give false or misleading information on this form, you may be fined $10,000, sent to prison, or both. "You" and "your" on this form **always** mean the student who wants aid.

SECTION A: YOURSELF

1. Your Name — Last / First / MI

2. Your permanent mailing address (Mail will be sent to this address. See Page 2 for State/Country abbreviation). — Number and Street (Include Apt. No.) / City / State / Zip Code

3. Your title (optional)
   - 1 ☐ Mr.
   - 2 ☐ Miss, Ms., or Mrs.

4. Your State of legal residence ☐☐

5. Your social security number ☐☐☐ ☐☐ ☐☐☐☐

6. Your date of birth ☐☐ Month ☐☐ Day ☐☐ Year

7. Are you a U.S. citizen?
   - 1 ☐ Yes, I am a U.S. citizen.
   - 2 ☐ No, but I am an **eligible** noncitizen. *(See the instructions on Page 2.)* ☐ A
   - 3 ☐ No, neither of the above. *(See Instructions on Page 2.)*

8. As of **today**, are you married? *(Check only one box.)*
   - 1 ☐ I am not married. (I am single, divorced, or widowed.)
   - 2 ☐ I am married.
   - 3 ☐ I am separated from my spouse.

9. What year will you be in college in 1991-92? *(Check only one box.)*
   - a ☐ 1st *(never previously attended college)*
   - b ☐ 1st *(previously attended college)*
   - c ☐ 2nd d ☐ 3rd e ☐ 4th
   - f ☐ 5th or more undergraduate
   - g ☐ First year graduate/professional (beyond a Bachelor's degree)
   - h ☐ Continuing graduate or professional

10. Will you have your first Bachelor's degree before July 1, 1991?
    ☐ Yes ☐ No

SECTION B: STUDENT STATUS

	Yes	No
11. a. Were you born **before** January 1, 1968?	☐	☐
b. Are you a veteran of the U.S. Armed Forces?	☐	☐
c. Are you a ward of the court or are both your parents dead?	☐	☐
d. Do you have legal dependents *(other than a spouse)* that fit the definition in the instructions on Page 2?	☐	☐

If you answered **"Yes"** to any part of Question 11, go to Section C and fill out the GRAY and the WHITE areas on the rest of the form. Skip Questions 12 through 15.

If you answered **"No"** to every part of Question 11, AND you are:

- e Unmarried now (single, divorced, separated, or widowed) AND will be an undergraduate student in 1991-92, answer Question 12. (Skip Question 15.)
- f Married now OR will be a graduate/professional student in 1991-92, answer Question 15. (Skip Questions 12 through 14e.)

UNMARRIED UNDERGRADUATE STUDENTS ONLY

12. Did your parents claim you as an income tax exemption?	Yes	No
In 1989?	☐	☐
In 1990?	☐	☐

If you answered **"Yes"** to **either** year in Question 12, go to Section C and fill out the PURPLE and the WHITE areas on the rest of the form. (Skip Questions 13 through 15.)

If you answered **"No"** to **both** years in Question 12, answer Question 13 below.

13. Beginning with the 1987-88 school year, you **first** received Federal student aid. *(Check only one box: a, b, c, d, or e. See instructions on Page 3.)*

a. ☐ In the 1987-88 school year. (Answer 14a **only**. Skip 14b, 14c, 14d, and 14e.)

b. ☐ In the 1988-89 school year. (Answer 14b **only**. Skip 14a, 14c, 14d, and 14e.)

c. ☐ In the 1989-90 school year. (Answer 14c **only**. Skip 14a, 14b, 14d, and 14e.)

d. ☐ In the 1990-91 school year. (Answer 14d **only**. Skip 14a, 14b, 14c, and 14e.)

e. ☐ In neither a, b, c, or d. (Answer 14e **only**. Skip 14a, 14b, 14c, and 14d.)

14a. Did you have total resources of $4,000 or more, not including parents' support?	Yes	No
In 1985?	☐	☐
In 1986?	☐	☐

14b. Did you have total resources of $4,000 or more, not including parents' support?	Yes	No
In 1986?	☐	☐
In 1987?	☐	☐

14c. Did you have total resources of $4,000 or more, not including parents' support?	Yes	No
In 1987?	☐	☐
In 1988?	☐	☐

14d. Did you have total resources of $4,000 or more, not including parents' support?	Yes	No
In 1988?	☐	☐
In 1989?	☐	☐

14e. Did you have total resources of $4,000 or more, not including parents' support?	Yes	No
In 1989?	☐	☐
In 1990?	☐	☐

- If you answered **"No"** to **either** year in Question 14a, 14b, 14c, 14d, or 14e, go to Section C and fill out the PURPLE and the WHITE areas on the rest of the form.
- If you answered **"Yes"** to **both** years in Question 14a, 14b, 14c, 14d, or 14e, go to Section C and fill out the GRAY and the WHITE areas on the rest of the form.

MARRIED OR GRADUATE / PROFESSIONAL STUDENTS ONLY

15. Will your parents claim you as an income tax exemption in 1991?	Yes	No
	☐	☐

If you answered **"Yes"** to Question 15, go to Section C and fill out the PURPLE and the WHITE areas on the rest of the form.

If you answered **"No"** to Question 15, go to Section C and fill out the GRAY and the WHITE areas on the rest of the form.

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SECTION C: HOUSEHOLD INFORMATION

PARENTS

16. What is your parents' current marital status?
   1 ☐ single 2 ☐ separated 3 ☐ widowed
   4 ☐ married 5 ☐ divorced

17. What is your parents' State of legal residence? ☐☐ State

18. Number of family members in 1991-92 ☐☐
(Always include yourself (the student) and your parents. Include your parents' other children and other people only if they meet the definition in the instructions on Page 3.)

19. Number of college students in 1991-92 ☐
(Of the number in 18, write in the number of family members who will be in college at least half-time. Include yourself — the applicant.)

STUDENT (& SPOUSE)

20. Number of family members in 1991-92 ☐☐
(Always include yourself and your spouse. Include your children and other people only if they meet the definition in the instructions on Page 3.)

21. Number of college students in 1991-92 ☐
(Of the number in 20, write in the number of family members who will be in college at least half-time. Include yourself.)

SECTION D: 1990 INCOME, EARNINGS, AND BENEFITS

PARENTS

22. The following 1990 U.S. income tax figures are from: (Check only one box.)

1 ☐ a completed 1990 IRS Form 1040EZ or 1040A (Go to 23.)
2 ☐ a completed 1990 IRS Form 1040 (Go to 23.)
3 ☐ an estimated 1990 IRS Form 1040EZ or 1040A (Go to 23.)
4 ☐ an estimated 1990 IRS Form 1040 (Go to 23.)
5 ☐ a tax return will not be filed. (Skip to 26.)

TAX FILERS ONLY

23. 1990 total number of exemptions (Form 1040-Line 6e, or 1040A-Line 6e; 1040EZ filers, see instructions on Page 4.) 23 ☐☐

24. 1990 Adjusted Gross Income (AGI — Form 1040-Line 31, 1040A-Line 16, or 1040EZ-Line 3, or see instructions on Page 4.) 24 $_____.00

25. 1990 U.S. income tax paid (Form 1040-Line 47, 1040A-Line 25, or 1040EZ-Line 7.) 25 $_____.00

26. 1990 income earned from work: Father 26 $_____.00

27. 1990 income earned from work: Mother 27 $_____.00

28. 1990 untaxed income and benefits (yearly totals only):
   a. Social security benefits 28 a $_____.00
   b. Aid to Families with Dependent Children (AFDC or ADC) b $_____.00
   c. Child support received for all children c $_____.00
   d. Other untaxed income and benefits from worksheet #2 on Page 10 d $_____.00

Everyone must fill out the Student (& Spouse) column below.

STUDENT (& SPOUSE)

22. The following 1990 U.S. income tax figures are from: (Check only one box.)

1 ☐ a completed 1990 IRS Form 1040EZ or 1040A (Go to 23.)
2 ☐ a completed 1990 IRS Form 1040 (Go to 23.)
3 ☐ an estimated 1990 IRS Form 1040EZ or 1040A (Go to 23.)
4 ☐ an estimated 1990 IRS Form 1040 (Go to 23.)
5 ☐ a tax return will not be filed. (Skip to 26.)

TAX FILERS ONLY

23 ☐☐

24 $_____.00

25 $_____.00

Student 26 $_____.00

Spouse 27 $_____.00

28 a $_____.00

b $_____.00

c $_____.00

d $_____.00

8 3/4;

SECTION E: COLLEGE RELEASE AND CERTIFICATION

Indicate, in the space provided, the name, city and state of up to three colleges that you are considering attending during the 1991-92 school year. For each college, also indicate where you will live under "Housing Code". Reports (FARs) will be sent to each of these colleges unless you answer "no" to Question 10c.

29. What college(s) do you plan to go to in 1991-92?

USA Funds Use Only	College Name	Street Address	City	State	Housing Code*
	1st Choice (most likely to attend)				
	2nd Choice				
	3rd Choice				

*Housing Codes for 1991-92 (Enter only one code for each college): 1 = With parents 2 = Campus housing 3 = Off-campus housing

30a. Do you give USA Funds permission to send information from this form to the U.S. Dept. of Education? (Check "Yes" if you want to be considered for a Pell Grant and other Federal student aid.) If you answer "No" or leave this question blank, this form will be returned to you.
☐ Yes ☐ No

Do you give the U.S. Dept. of Education permission to send information from this form to:

30b. The financial aid agencies in your state?
☐ Yes ☐ No

30c. The college(s) you named in 29 (or its representative)?
☐ Yes ☐ No

31. ☐ Check this box if you give Selective Service permission to register you. (See instructions on Page 5.)

32. **Read and sign** — Everyone giving information on this form must sign below. If you don't sign this form, it will be returned to you unprocessed.

Certification: All of the information on this form and the Supplemental Information sections, if completed, is true and complete to the best of my knowledge. If asked by an authorized official, I agree to give proof of the information that I have given on this form and the Supplemental Information sections, if completed. I realize that this proof may include a copy of my U.S., State, or local income tax return. I also realize that if I do not give proof when asked, the student may be denied aid.

Student

Student's spouse

Father

Mother

Date completed: ☐☐ (Month) ☐☐ (Day) Year: ☐ 1991 ☐ 1992

YOU MUST COMPLETE THE WORKSHEET ON PAGE 6 OF THE INSTRUCTIONS TO DETERMINE WHICH OF THE REMAINING SECTIONS OF THIS FORM YOU NEED TO COMPLETE.

FEDERAL SUPPLEMENTAL INFORMATION

SECTION F: 1990 EXPENSES

	PARENTS	STUDENT (& SPOUSE)
33. 1990 medical and dental expenses not paid by insurance	33. $ _____ 00	33. $ _____ 00
34. 1990 elementary, junior high, and high school tuition for dependent children: a. Amount paid (Don't include tuition paid for the applicant.)	34a. $ _____ 00	34a. $ _____ 00
b. For how many dependent children	34b. ☐☐	34b. ☐☐

SECTION G: ASSET INFORMATION

	PARENTS		STUDENT (& SPOUSE)
			If you are completing this page, you must fill out the student (& spouse) column below.
35. Is either of your parents a displaced homemaker? (See the instructions on Page 7.)	☐ Yes	☐ No	35. Are you, or is your spouse, a displaced homemaker? ☐ Yes ☐ No (See the instructions on Page 7.)
36. Write in the age of your older parent.	36. ☐☐		36. XXXXXXXXXXXX
	What is it worth today?	What is owed on it?	What is it worth today? What is owed on it?
37. Cash, savings, and checking accounts	37. $ _____ 00	XXXXXXXXXXXX	37. $ _____ 00 XXXXXXXXXXXX
38. Home (Renters write in "0.")	38. $ _____ 00	$ _____ 00	38. $ _____ 00 $ _____ 00
39. Other real estate and investments	39. $ _____ 00	$ _____ 00	39. $ _____ 00 $ _____ 00
40. Business and farm	40. $ _____ 00	$ _____ 00	40. $ _____ 00 $ _____ 00
41. Does any part of Question 40 include a farm?	41. ☐ Yes	☐ No	41. ☐ Yes ☐ No

SECTION H: YOUR VETERANS EDUCATIONAL BENEFITS PER MONTH *(for the student only)*

(If you are completing this page, you must answer Question 42. If you are filling out the GRAY and the WHITE areas, you must also answer Question 43.)

		Expected Amount July 1, 1991 through June 30, 1992
42. Your veterans Dependents Educational Assistance Program benefits	a. Amount per month $ ____ .00	b. Number of months ☐☐
43. Your Veterans Contributory Benefits (VEAP)	a. Amount per month $ ____ .00	b. Number of months ☐☐

SECTION I: EXPECTED 1991 TAXABLE AND NONTAXABLE INCOME AND BENEFITS

*You **must** see the instructions for income and taxes that you should exclude from Questions 45 through 49.)*

	PARENTS	If you are completing this page, you must fill out the student (& spouse) column below. STUDENT (& SPOUSE)
44. Is either of your parents **certified** as a dislocated worker by the appropriate agency? *(See the instructions on Page 8.)*	☐ **Yes** (Fill out the rest of this column, and go to the student and spouse column, Question 44.) ☐ **No** (Skip this column and go to the student and spouse column, Question 44.)	44. Are you, or is your spouse, **certified** as a dislocated worker by the appropriate agency? *(See the instructions on Page 8.)* ☐ **Yes** (Fill out the rest of this column.) ☐ **No** (Skip this column.)
45. 1991 income earned from work	Father 45. $ ____ .00	Student 45. $ ____ .00
46. 1991 income earned from work	Mother 46. $ ____ .00	Spouse 46. $ ____ .00
47. 1991 other taxable income	47. $ ____ .00	47. $ ____ .00
48. 1991 U.S. income tax to be paid	48. $ ____ .00	48. $ ____ .00
49. 1991 nontaxable income and benefits *(See instructions on Page 8.)*	49. $ ____ .00	49. $ ____ .00

USA Funds — College Aid and Federal Stafford Loan Program Information

If you are using this application to apply for College Aid or the Federal Stafford Loan Program many schools will require that you complete Sections J and K below.

SECTION J: ADDITIONAL COLLEGE AID QUESTIONS

50. What is your planned enrollment status for the 1991-92 school year?
a. ☐ Full-time student
b. ☐ Three-quarter time student
c. ☐ Half-time student
d. ☐ Less than half-time student

51. During the 1991-92 school year you want financial aid
from ☐☐ Month 19☐☐ Year
to ☐☐ Month 19☐☐ Year

52. How many schools (colleges, universities, etc.) beyond high school have you attended?
a. ☐ none e. ☐ four
b. ☐ one f. ☐ five
c. ☐ two g. ☐ more than five
d. ☐ three

53. Student's permanent home telephone number
☐☐☐/☐☐☐-☐☐☐☐

SECTION K: STAFFORD LOAN INFORMATION

54. What is the total unpaid balance on ALL your Stafford Loans and GSLs? (If you answered "0", skip the remaining items in this section.) $ ____ .00

55. What is the total unpaid balance of your **most recent** Stafford Loan or GSL? $ ____ .00

56. What is the interest rate on your **most recent** Stafford Loan or GSL? a. ☐ 7% b. ☐ 8% c. ☐ 9% d. ☐ 8/10%

57. What was the loan (enrollment) period on your **most recent** Stafford Loan or GSL? from ☐☐ Month 19☐☐ Year to ☐☐ Month 19☐☐ Year

58. What was your class level when you received your **most recent** Stafford Loan or GSL?
a. ☐ Freshman
b. ☐ Sophomore
c. ☐ Junior
d. ☐ Senior
e. ☐ 5th year undergraduate
f. ☐ 1st year graduate/professional
g. ☐ 2nd year graduate/professional
h. ☐ 3rd year graduate/professional
i. ☐ Beyond 3rd year graduate/professional

59. Have you ever defaulted on a previous Student loan? ☐ Yes ☐ No

STOP: You have finished the application. Recheck your application. Make sure that the right people have signed this form in Question 32. Mail this application to USA Funds, P.O. Box 6181, Indianapolis, IN 46206-6181. Do not send money.

USA FUNDS USE ONLY

1991-92 SCHOOL YEAR

APPLICATION For

PENNSYLVANIA STATE GRANT & FEDERAL STUDENT AID

Pennsylvania Higher Education Assistance Agency

Dear Student:

On behalf of the Pennsylvania Higher Education Assistance Agency (PHEAA), I am pleased to provide you with this application for student financial aid for the 1991-92 school year. This application can be used to apply for aid from the PHEAA-administered State Grant Program, aid from the federal student aid programs and, in many cases, aid from the school you plan to attend. For details on the use of this form, carefully read the instructions beginning with "How to use this application booklet" on page 6. Please make special note of the filing deadlines listed on page 6.

You may also request an application for a PHEAA student loan by completing Section J on this application. From the lender list contained in this booklet, select the bank or other lender from which you want to borrow and indicate the lender's code on the form. If you have outstanding PHEAA student loans, list the code of the lender from which you received these loans. Keep in mind that loans unlike grants must be repaid, so apply for all possible grants first. Then you can apply for educational loans for additional financial aid to help meet your costs of education.

Kenneth R. Reeher
Executive Director

WARNING: You must fill out this form accurately. The information which you supply can be checked by your college or by the U.S. Department of Education. You may be asked to provide U.S. income tax returns, the worksheets in this booklet and other information. If you can't or don't provide these records, you may not get Federal aid. If you get Federal student aid based on incorrect information, you will have to pay it back; you may also have to pay fines and fees. If you purposely give false or misleading information on your application form, you may be fined $10,000, receive a prison sentence, or both. If you get a State Grant by giving incorrect information, State laws say you may have to repay triple any amount of money received from a State Grant plus receive a fine and/or imprisonment. Be sure to read "Information on the Privacy Act and use of your social security number" on page 25.

Important: Don't complete, sign or submit this application before January 1, 1991.
See Page 6 for Filing Deadlines.

How to use this application booklet

1. Separate the application and the return envelope from the booklet by tearing on the perforation line.
2. Beginning with the instructions on page 7 of the booklet and item #1 on the application, complete the sections of the application in accordance with the instructions.
3. If an amount is requested and the question does not apply or your answer is none, enter zeros.
4. Be certain that the proper signatures have been affixed.
5. Return the completed application in the envelope provided. Be certain to place the proper postage on the envelope. Do **NOT** return the booklet instructions, keep for your files.
6. Complete the items on the application in strict accordance with the instructions. Do not write comments or explanations on the application that attempt to modify the answers provided. They cannot be considered and may delay processing.

What is this application for?

This free application is for the 1991-92 school year and may be used on or after January 1, 1991, to apply for:

- State Grant aid from Pennsylvania
- Pell Grant and other federal student aid
- Financial aid from your school. Consult your financial aid administrator for specific institution filing deadlines and other details in applying for college-level assistance.

This form may also be used to determine your financial need for a Stafford Loan (formerly Guaranteed Student Loan [GSL]). See explanation under instructions for Section J.

If you have questions. . . .

The instructions in this booklet will tell you what information you have to provide on the form. First, read all of the instructions carefully. If you have any questions after you have read the instructions, seek help. Talk to your high school counselor or financial aid administrator at the school you want to attend. There are also toll-free numbers which you may use. You may direct questions concerning State Grant aid and the completion of this application to the State Grant toll-free number **1-800-692-7435**. Questions regarding the Stafford Loan Program and Section J of the application should be directed to **1-800-692-7392**.

What is a State Grant?

The State Grant Program provides grant aid to eligible Pennsylvania domiciliaries who are in need of financial aid to attend a postsecondary school as undergraduate students. The amount of the State Grant for those who qualify varies from $100 to $2,200 at a Pennsylvania school and normally from $100 to $600 at schools located outside of Pennsylvania.

Who may be eligible for a State Grant?

An undergraduate student who has been a domiciliary of Pennsylvania for at least 12 months prior to the date of application and is enrolled or intends to enroll in a PHEAA-approved program of study and who demonstrates financial need in accordance with PHEAA requirements. There are other requirements as well.

Who can get aid from Federal Student Aid Programs?

These Federal student assistance programs can help you pay for most kinds of education after high school. The aid is available if you are attending a professional school, a vocational or technical school, or college. This application is for Federal student financial aid for the 1991-92 school year (July 1, 1991 - June 30, 1992).

The information on this page will answer some of your questions about these programs. However, for more information on Federal student financial aid, see **"Additional Information On The Federal Student Financial Aid Programs"** on page 21.

Eligibility Requirements ↓	Pell Grants	Stafford Loans	Supplemental Educational Opportunity Grants (SEOG)	College Work Study (CWS)	Perkins Loans
Undergraduate	Yes	Yes	Yes	Yes	Yes
Graduate	No	Yes	No	Yes	Yes
At least half-time	Yes	Yes	Yes*	Yes*	Yes*
Must pay back	No	Yes	No	No	Yes
Must be a U.S. citizen or eligible noncitizen	Yes	Yes	Yes	Yes	Yes
Must be registered with the Selective Service (if required)	Yes	Yes	Yes	Yes	Yes
Must have financial need	Yes	Yes	Yes	Yes	Yes
Must attend a participating school	Yes	Yes	Yes	Yes	Yes
Must be working toward a degree or certificate	Yes	Yes**	Yes	Yes	Yes
Must be making satisfactory academic progress	Yes	Yes	Yes	Yes	Yes
Must not be in default or owe a refund on a Federal grant or educational loan	Yes	Yes	Yes	Yes	Yes
Having a Bachelor's degree makes applicant ineligible	Yes	No	Yes	No	No
Conviction of drug distribution or possession may make student ineligible	Yet	Yes	Yes	Yes	Yes

* In some cases, students going to school less than half-time may be eligible. Check with your financial aid administrator.

** In some cases, students don't have to be in a degree or certificate program. Check with your financial aid administrator.

What are the deadlines?

For **State Grant** consideration, there are two deadlines by which applications must be received by PHEAA.

May 1, 1991—For ALL **renewal** (a Pennsylvania Higher Education Grant recipient during 1990-91) applicants regardless of program **and nonrenewal** applicants who plan to enroll in baccalaureate degree programs including those enrolled in college transfer programs at Pennsylvania two-year public colleges or junior colleges. Note: The PHEAA May 1 deadline is one year earlier than the May 1 deadline for federal student aid explained below.

August 1, 1991—For nonrenewal (not a Pennsylvania Higher Education Grant recipient for 1990-91) applicants who plan to enroll in business, trade, technical schools, hospital schools of nursing, or two-year terminal (non-transferable two-year career) programs at four-year colleges, Pennsylvania two-year public or junior colleges.

There are numerous special circumstances which may warrant an exception under Agency policy and even where such circumstances do not exist, it has been the practice of the Agency to consider late applications for part-year processing when funds are available.

For **Federal Student Aid** consideration:

May 1, 1992—PHEAA must **receive** your application by May 1, 1992. Schools may have **earlier deadlines** you will have to meet. You should apply as early as possible. Mailing in your form is only the first step in applying for Federal student aid.

APPLICATION FOR PENNSYLVANIA STATE GRANT AND FEDERAL STUDENT AID

1991-92 School Year

WARNING: If you use this form to establish eligibility for Federal aid and purposely give false or misleading information on your application form, you may be fined $10,000, sent to prison, or both.

"You" and "your" on this form always mean the student who wants aid.

Return to:
PHEAA
P.O. Box 8111
Harrisburg, PA 17105-8111

Section A: Yourself

1. **Your name** (or affix label to right if provided)
   Last | First | M.I.
2. **Your permanent mailing address** (or affix label to right if provided) See page 7 for State/Country abbreviations.
   Number and Street (Include Apt. No.)
   City | State | ZIP Code
3. **Your title** (optional)
   ☐ Mr.
   ☐ Miss, Ms., or Mrs.
4. **Your State of legal residence**
   State
5. **Your social security number**
   (Copy from social security card.)
6. **Your date of birth**
   Month | Day | Year
7. **Are you a U.S. citizen?**
   ☐ Yes, I am a U.S. citizen.
   ☐ No, but I am an eligible noncitizen. (See the instructions on page 7.)
   A
   ☐ No, neither of the above. (See the instructions on page 8.)
8. **As of today, are you married?** (Check only one box.)
   ☐ I am not married. (I am single, divorced, or widowed.)
   ☐ I am married.
   ☐ I am separated from my spouse.
9. **What year will you be in college in 1991-92?** (Check only one box.)
   ☐ 1st (never previously attended college)
   ☐ 1st (previously attended college)
   ☐ 2nd ☐ 3rd ☐ 4th
   ☐ 5th or more undergraduate
   ☐ first year graduate/professional (beyond a bachelor's degree)
   ☐ Continuing graduate or professional
10. **Will you have your first Bachelor's degree before July 1, 1991?**
    ☐ Yes ☐ No

Section B: Student Status

	Yes	No
11. a. Were you born before January 1, 1968?	☐	☐
b. Are you a veteran of the U.S. Armed Forces?	☐	☐
c. Are you a ward of the court or are both your parents dead?	☐	☐
d. Do you have legal dependents (other than a spouse) that fit the definition in the instructions on page 8?	☐	☐

If you answered "Yes" to any part of question 11, go to Section C and fill out the **GRAY** and the **WHITE** areas on the rest of the form. (Skip questions 12 through 15.)

If you answered "No" to every part of question 11, and you are:

- Unmarried now (single, divorced, separated, or widowed) and will be an undergraduate student in 1991-92, answer question 12. (Skip question 15.)
- Married now or will be a graduate/professional student in 1991-92, answer question 15. (Skip questions 12 through 14e.)

Unmarried Undergraduate Students Only

12. **Did your parents claim you as an income tax exemption?**

	Yes	No
...In 1989?	☐	☐
...In 1990?	☐	☐

If you answered "Yes" to **either** year in question 12, go to Section C, and fill out the **BLUE** and the **WHITE** areas on the rest of the form. (Skip questions 13 through 15.)

If you answered "No" to **both** years in question 12, answer question 13 below.

13. **Beginning with the 1987-88 school year, you first received Federal student aid.** (Check only one box: a, b, c, d, or e. See instructions on page 8.)

a. ☐ in the 1987-88 school year. (Answer 14a below. Skip 14b, 14c, 14d, and 14e.)
b. ☐ in the 1988-89 school year. (Answer 14b below. Skip 14a, 14c, 14d, and 14e.)
c. ☐ in the 1989-90 school year. (Answer 14c below. Skip 14a, 14b, 14d, and 14e.)
d. ☐ in the 1990-91 school year. (Answer 14d below. Skip 14a, 14b, 14c, and 14e.)
e. ☐ in neither a, b, c or d. (Answer 14e below. Skip 14a, 14b, 14c, and 14d.)

14a. **Did you have total resources of $4,000 or more, not including parents' support**

	Yes	No
...In 1987?	☐	☐
...In 1988?	☐	☐

14b. **Did you have total resources of $4,000 or more, not including parents' support**

	Yes	No
...In 1988?	☐	☐
...In 1989?	☐	☐

14c. **Did you have total resources of $4,000 or more, not including parents' support**

	Yes	No
...In 1989?	☐	☐
...In 1990?	☐	☐

14d. **Did you have total resources of $4,000 or more, not including parents' support**

	Yes	No
...In 1990?	☐	☐
...In 1991?	☐	☐

14e. **Did you have total resources of $4,000 or more, not including parents' support**

	Yes	No
...In 1990?	☐	☐
...In 1991?	☐	☐

- If you answered "No" to **either** year in question 14a, 14b, 14c, 14d, or 14e, go to Section C and fill out the **BLUE** and the **WHITE** areas on the rest of the form.
- If you answered "Yes" to **both** years in question 14a, 14b, 14c, 14d, or 14e, go to Section C and fill out the **GRAY** and the **WHITE** areas on the rest of the form.

Married or Graduate/Professional Students Only

15. **Will your parents claim you as an income tax exemption in 1991?** Yes ☐ No ☐

If you answered "Yes" to question 15, go to Section C and fill out the **BLUE** and the **WHITE** areas on the rest of the form.

If you answered "No" to question 15, go to Section C and fill out the **GRAY** and the **WHITE** areas on the rest of the form.

Section J: Stafford Loan Information (Formerly Guaranteed Student Loan [GSL])

If you wish PHEAA to send you an application for a Stafford Loan, complete this section. Otherwise skip to Section K.

51. a. If you have not already applied for a Stafford Loan (GSL) for the 1991-92 academic year, do you want PHEAA to send you a loan application? ☐ Yes ☐ No

b. If "Yes", print the PHEAA Lender Code Number of the lender from which you would like to borrow the loan?

PHEAA Lender Code Number (See list on pages 17, 18, and 19)

If "No", skip questions 52 and 53 and go to Section K.

52. a. Are you currently in default on any of the following educational loans: Stafford Loan (GSL), SLS, PLUS, ALAS, Consolidation Loan, Income Contingent Loan, or Perkins Loan (NDSL)? ☐ Yes ☐ No

b. Do you owe a refund on a state or federal grant? ☐ Yes ☐ No

➤53. a. Do you currently have Stafford Loans (GSL's) through an agency other than PHEAA? (check one) If "No", go to Section K ☐ Yes ☐ No

b. If "Yes", print the two-letter abbreviation for the state where the other guaranty agency is located and answer questions 53c, 53d, 53e, and 53f. (Print "HEAF" or "USAF" if your loans are through either one of these agencies.)

c. What is the interest rate of your Stafford Loans (GSL's)? (check one) ☐ 7% ☐ 8% ☐ 9% ☐ 8% / 10%

d. What is the total unpaid balance of your Stafford Loans (GSL's) that you have through the agency indicated in question 53b? $ .00

e. What is the total remaining unpaid balance on your most recent Stafford Loan (GSL) through the agency indicated in question 53b? $ .00

f. What was the enrollment period covered by your most recent Stafford Loan (GSL) through the agency indicated in question 53b? from Month Year through Month Year

Section K: Pennsylvania State Grant Information

54. Are you using this application to apply for a Pennsylvania State Grant? ☐ Yes ☐ No

55. Select your housing status (See instructions on page 14)
1 ☐ Commuter 2 ☐ Dormitory 3 ☐ Off-Campus

56. Select your program of study (See instructions) Code

Write the name of your program on the line below

57. Your enrollment status during the 1991-92 school year
1 ☐ Full time 3 ☐ Not full time but at least half time
2 ☐ Full time evening 4 ☐ Less than half time

58. Dates of enrollment for the 1991-92 academic year
92 (BEGINNING) Month Year AND ENDING Month Year

59. You normally live with (See page 20 for codes) Code

60. Have you been convicted of a criminal offense for which you are currently incarcerated? ☐ Yes ☐ No

61. If you answered "Yes" to 11b, veteran status on page 3, do you meet the requirements in 61 of the instructions? ☐ Yes ☐ No

62. Place in blocks A, B, C, and D the number of the selection which best describes the status of each person (See page 20 for codes for item 62.)
A Father B Mother C Student D Student's Spouse

➤63. a. Are you a high school graduate in accordance with instructions on page 20? ☐ Yes ☐ No

b. Year of high school graduation 19

c. Name and address of high school
Name
City State

64. a. Do you meet the Pennsylvania domicile (residence) requirement as stated on page 20 of the instructions? ☐ Yes ☐ No

b. If yes, enter date domicile was established Month Year

65. Enter Parents' social security numbers
a. Father
b. Mother

66. Parents' 1991 income reduction (See instructions, complete only if appropriate) Code Month Year

67. Parents' 1991 taxed and untaxed income and benefits $ .00

68. Enter Spouse's social security number

69. Student's (& Spouse's) 1991 income reduction (See instructions, complete only if appropriate) Code Month Year

70. Student's (& Spouse's) 1991 taxed and untaxed income and benefits $ .00

71. PHONE NUMBER Area Code

Section L: Statement of Certification and Authorization

72. By checking the following block, I/we affirm that the signature(s) in item 33 constitute acceptance of the statement of certification and authorization found on page 24 of the instructions which is incorporated herein by reference and which I have read, understand, agree to and certify.
(Check here) ☐

If you do not check the above block, PHEAA will be unable to consider you for a State Grant.

Section C: Household Information

Parents

18. What is your parents' current marital status?
1☐ single 3☐ divorced 5☐ widowed
2☐ married 4☐ separated

17. What is your parents' State of legal residence? ☐☐ STATE

19. Number of family members in 1991-92 ☐☐
(Always include yourself (the student) and your parents. Include your parents' other children and other people only if they meet the definition in the instructions on page 9.)

19. Number of college students in 1991-92 ☐
(Of the number in 19, write in the number of family members who will be in college at least half-time. Include yourself—the applicant.)

Student (& Spouse)

20. Number of family members in 1991-92 ☐☐
(Always include yourself and your spouse. Include your children and other people only if they meet the definition in the instructions on page 9.)

21. Number of college students in 1991-92 ☐
(Of the number in 20, write in the number of family members who will be in college at least half-time. Include yourself.)

Section D: 1990 Income, Earnings, and Benefits

(You must see the instructions for income and taxes that you should exclude from questions 24 through 28.)

22. The following 1990 U.S. income tax figures are from ...

	PARENTS (Check only one box.)	STUDENT (& SPOUSE) (Check only one box.)
1	☐ a completed 1990 IRS Form 1040EZ or 1040A (Go to 23.)	☐ a completed 1990 IRS Form 1040EZ or 1040A (Go to 23.)
2	☐ a completed 1990 IRS Form 1040 (Go to 23.)	☐ a completed 1990 IRS Form 1040 (Go to 23.)
3	☐ an estimated 1990 IRS Form 1040EZ or 1040A (Go to 23.)	☐ an estimated 1990 IRS Form 1040EZ or 1040A (Go to 23.)
4	☐ an estimated 1990 IRS Form 1040 (Go to 23.)	☐ an estimated 1990 IRS Form 1040 (Go to 23.)
5	☐ a tax return will not be filed. (Skip to 28.)	☐ a tax return will not be filed. (Skip to 28.)

TAX FILERS ONLY

23.	1990 total number of exemptions (Form 1040-line 6e, or 1040A-line 6e; 1040EZ filers, see instructions on pages 9 and 10)	☐☐ (a)	☐ (b)
24.	1990 Adjusted Gross Income (AGI) (Form 1040-line 31, 1040A-line 16, or 1040EZ-line 3, or see instructions on pages 9 and 10)	$ ___.00 (a)	$ ___.00 (b)
25.	1990 U.S. income tax paid (Form 1040-line 47, 1040A-line 25, or 1040EZ-line 7)	$ ___.00 (a)	$ ___.00 (b)

26.	1990 income earned from work: Father	$ ___.00 (a)	Student $ ___.00 (b)
27.	1990 income earned from work: Mother	$ ___.00 (a)	Spouse $ ___.00 (b)
28.	1990 untaxed income and benefits (yearly totals only)		
28a.	Social security benefits	$ ___.00 (a)	$ ___.00 (a)
28b.	Aid to Families with Dependent Children (AFDC or ADC)	$ ___.00 (b)	$ ___.00 (b)
28c.	Child support received for all children	$ ___.00 (c)	$ ___.00 (c)
28d.	Other untaxed income and benefits from worksheet #2 on page 22.	$ ___.00 (d)	$ ___.00 (d)

Section E: College Release and Certification

29. What college(s) do you plan to go to in 1991-92? (See pages 15 and 16 for college codes.)

a.					
b.					
c.					

30. Do you give the U.S. Department of Education permission to send information from this form to:

a. The financial aid agencies in your state? ☐ Yes ☐ No
Even if you answer "Yes" to item 30a you have not fulfilled the requirements of applying for a Pennsylvania State Grant. You are still required to complete the other items on this application in accordance with the instructions.

b. The college(s) you named in 29 (or its representative)? ☐ Yes ☐ No

31. Do you give PHEAA permission to send information from this form and additions or corrections to that information to the U.S. Department of Education ☐ Yes ☐ No
Answer "Yes" if you want to be considered for a Pell Grant and other Federal student financial aid.

32. ☐ Check this box if you give Selective Service permission to register you. (See instructions on page 11.)

33. READ AND SIGN: (Everyone giving information on this form must sign below. If you don't sign this form, it will be returned unprocessed.)

Certification: All of the information on this form and the Supplemental Information, if completed, is true and complete to the best of my knowledge. If asked by an authorized official, I agree to give proof of the information that I have given on this form and the Supplemental Information, if completed. I realize that this proof may include a copy of my U.S., State, or local income tax return. I also realize that if I do not give proof when asked, the student may be denied aid.

1. Student _____ 3. Father _____ Date Completed

2. Student's spouse _____ 4. Mother _____ Month ___ Day ___ Year ☐ 1991 ☐ 1992

IMPORTANT: If you are using this application to apply for Pennsylvania State Grant aid or college aid, you must complete the remainder of the application (Sections F-I). Failure to complete this information could result in the delay of your financial aid if you are eligible.

If you are using this application to apply for federal student aid only (you are not applying for State Grant aid or college aid), you must complete the worksheet for the "Simplified Needs Test" on Page 11 of the instructions. The worksheet will tell you if you must complete the Supplemental Information (Sections F-I).

SUPPLEMENTAL INFORMATION

Section F: 1990 Expenses

	Parents	Student (& Spouse)
34. 1990 medical and dental expenses not paid by insurance	$ .00 (a)	$ .00 (b)
35. 1990 elementary, junior high, and high school tuition for dependent children		
a. Amount paid (Don't include tuition paid for the applicant.)	$ .00 (a)	$ .00 (b)
b. For how many dependent children	(b)	(b)

Section G: Asset Information

If you are completing this page, you must fill out the student (& spouse) column below.

	Parents	Student (& Spouse)
36. Is either of your parents a dislocated homemaker? (See the instructions on page 13.)	☐ Yes ☐ No (a)	36. Are you, or is your spouse, a dislocated homemaker? (See the instructions on page 13.) ☐ Yes ☐ No (b)
37. Write in the age of your older parent	(a)	37. XXXXXXXXXX
	What is it worth today? / What is owed on it?	What is it worth today? / What is owed on it?
38. Cash, savings, and checking accounts	$ .00 (a) / XXXXX	38. $ .00 (c) / XXXXX
39. Home (Renters write in "0.")	$ .00 (a) / $ .00 (b)	39. $ .00 (c) / $ .00 (d)
40. Other real estate and investments	$ .00 (a) / $ .00 (b)	40. $ .00 (c) / $ .00 (d)
41. Business and farm	$ .00 (a) / $ .00 (b)	41. $ .00 (c) / $ .00 (d)
42. Does any part of Item 41 include a farm? (a)	☐ Yes ☐ No	42. (b) ☐ Yes ☐ No

Section H: Your Veterans Educational Benefits Per Month (for the student only)

(If you are completing this page, you must answer question 43. If you are filling out the GRAY and the WHITE areas, you must also answer question 44.)

Expected Amounts July 1, 1991 through June 30, 1992

43. Your veterans Dependents Educational Assistance Program benefits ..... 43 Amount per month $ .00 (a) 43 Number of months ___ (b)

44. Your Veterans Contributory Benefits (VEAP) ..... 44 Amount per month $ .00 (a) 44 Number of months ___ (b)

Section I: Expected 1991 Taxable and Nontaxable Income and Benefits

(You must see the instructions for income and taxes that you should exclude from questions 46 through 50.)

If you are completing this page, you must fill out the student (& spouse) column below.

	Parents	Student (& Spouse)
45. Is either of your parents certified as a dislocated worker by the appropriate agency? (See the instructions on page 13.) (a)	☐ Yes (Fill out the rest of this column, and go to the student and spouse column, question 45.) ☐ No (Skip the column and go to the student and spouse column, question 45.)	45. Are you, or is your spouse, certified as a dislocated worker by the appropriate agency? (See the instructions on page 13.) (b) ☐ Yes (Fill out the rest of this column.) ☐ No. (Skip this column.)
46. 1991 income earned from work	Father $ .00 (a)	Student 46. $ .00 (b)
47. 1991 income earned from work	Mother $ .00 (a)	Spouse 47. $ .00 (b)
48. 1991 other taxable income	$ .00 (a)	48. $ .00 (b)
49. 1991 U.S. income tax to be paid	$ .00 (a)	49. $ .00 (b)
50. 1991 nontaxable income and benefits (See instructions on pages 13 and 14.)	$ .00 (a)	50. $ .00 (b)

What about different student aid applications; which do I fill out?

IF YOU WISH TO APPLY FOR STATE GRANT AID OR IF YOUR FINANCIAL AID OFFICE USES THE DATA COLLECTED BY PHEAA TO ADMINISTER FINANCIAL AID, YOU MUST COMPLETE THIS FORM. However, there are other forms that you can use to apply for aid from the Federal financial aid programs. Check with the financial aid administrator at the school you wish to attend to find out which forms they want you to use. The other forms are:

— The Family Financial Statement (FFS)
— The Financial Aid Form (FAF)
— The Application for Federal Student Aid (AFSA)
— The Application for Federal and State Student Aid (AFSSA)
— The SingleFile Form

Reporting financial changes to the State Grant Program

If you are applying for a Pennsylvania State Grant and you expect a reduction in your family's 1991 income, you should refer to the instructions for item 68 or 69.

INSTRUCTIONS

☐ FOR BLUE SHADED AREAS ■ FOR GRAY SHADED AREAS

BEFORE YOU BEGIN TO FILL OUT THE FORM, TEAR IT OUT OF THE BOOKLET AND LAY IT ALONGSIDE THE INSTRUCTIONS SO THAT YOU CAN CHECK FOR ADDITIONAL INSTRUCTIONS AS YOU GO ALONG.

The BLUE and GRAY areas indicate which instructions are for which questions. **Read the instructions as you fill out this form.** Mistakes will delay the processing of your application.

Some instructions appear on the form itself. Since some questions are self-explanatory, no additional instructions are provided. Where additional information is necessary, you will find it in this instruction booklet.

The instructions for this form will usually answer questions that you have. If you need more help, contact your high school guidance counselor or your college financial aid administrator.

Although other people (besides the student who is applying for aid) may help fill out this form, it is about the student. On this form, the words "you" and "your" always mean the student. The word "college" means a college, university, graduate or professional school, vocational or technical school, or any other school beyond high school.

"Student financial aid" means money from educational loans, grants, and scholarships. It also means earnings from the College Work-Study Program or other earnings you received based on your financial aid administrator's determination of your financial need.

Records You Will Need

Get together these records for yourself and your family:

- 1990 U.S. income tax return (IRS Form 1040, 1040A, or 1040EZ).
- 1990 State and local income tax returns.
- W-2 forms and other records of money earned in 1990.
- Records of untaxed income, such as welfare, social security, AFDC or ADC, or veterans benefits.
- Current bank statements.
- Current mortgage information.
- Records of medical or dental bills that were paid in 1990.
- Business and farm records.
- Records of stocks, bonds, and other investments.

Keep these records!

Won't file a tax return. Even if you and your spouse or your parents file no income tax return for 1990, you will need to know earnings for the year. You may also need records showing the amount of other income you are to report on your application.

Tax return not completed yet. If you, your spouse, and/or your parents haven't completed a 1990 U.S. income tax return but will be filing one, **we recommend that you complete your return before filling out this application.** Knowing what will be on your tax return will help you to fill out this application accurately. When your application is compared with the official 1990 IRS Form 1040, 1040A, or 1040EZ that is filed for you and your family, the financial information must agree. If there are any errors, you will have to correct the information and send it back to the U.S. Department of Education. If this happens, it will take longer to determine whether you are eligible for Federal student aid. It could mean a delay in getting your student financial aid.

If you, your spouse, and/or your parents filed (or will file) a **"Foreign Tax Return"** or are a **"Native American,"** see page 21.

When You Fill Out This Form

- Use a pen with black or dark ink; don't use a pencil.
- Print carefully, so that your form will be easy to read.
- Round off figures to the nearest dollar. For 50 cents or more, round up; for 49 cents or less, round down.

Section A: Yourself

Write in this section information about you, the student who is applying for aid.

1-2. If a **"peel-off" mailing label was used** to mail your application to your home, carefully remove the label from the booklet cover and place it in the blue shaded area in items 1 and 2 on the application. Make sure your name, address, and social security number are correct. If your name or address is not correct, make corrections on the label.

If your social security number is not correct on the label, use the label but complete item 5. Do not make social security number corrections on the label.

If a label was not used to mail your application, write in your last name, first name and middle initial. Print carefully. Write in the address where you will be receiving mail during the 1991-92 academic year. All mail will be sent to this address. Don't use the address of the financial aid office or any other office. Use the State/Country abbreviations list below.

State/Country Abbreviations

AL Alabama	HI Hawaii	MA Massachusetts	NM New Mexico	VA Virginia
AK Alaska	ID Idaho	MI Michigan	NY New York	WA Washington
AS American Samoa	IL Illinois	MN Minnesota	NC North Carolina	WV West Virginia
AZ Arizona	IN Indiana	MS Mississippi	ND North Dakota	WI Wisconsin
AR Arkansas	IA Iowa	MO Missouri	OH Ohio	WY Wyoming
CA California	KS Kansas	MT Montana	OK Oklahoma	
CO Colorado	KY Kentucky	NE Nebraska	OR Oregon	CM Canada
CT Connecticut	LA Louisiana	NV Nevada	PA Pennsylvania	FM Federated States of Micronesia
DE Delaware	ME Maine	NH New Hampshire	PR Puerto Rico	
DC District of Columbia	MD Maryland	NJ New Jersey	RI Rhode Island	MH Marshall Islands
FL Florida			SC South Carolina	
GA Georgia			SD South Dakota	MP Northern Mariana Islands
GU Guam			TN Tennessee	
HI Hawaii			TX Texas	
ID Idaho			UT Utah	
IL Illinois			VT Vermont	
			VI Virgin Islands	PW Palau

If your place of residence is not included above, leave the State abbreviation blank and write the name of your city and territory or country in the space for city.

4. Write in the two-letter abbreviation for your current State/Country of legal residence. Use the State/Country abbreviations list above.

5. Write in your social security number. Carefully copy the number from your social security card. If you do not have a social security number, contact the social security administration office closest to you to obtain one.

6. Write in your birth date. For example, if you were born on July 5, 1972, you would write in:

01 ■ 05 ■ 72
Month Day Year

7. If you are a U.S. citizen (or a U.S. national), check the first box and go on to question 8. Check the second box and write in your eight or nine digit Alien Registration Number if you are one of the following:

- U.S. permanent resident, and you have an Alien Registration Receipt Card (I-151 or I-551).

42-924 0 - 91 - 28

- Other eligible noncitizen with a Departure Record (I-94) from the U.S. Immigration and Naturalization Service showing any one of the following designations: (1) "Refugee", (2) "Asylum Granted", (3) "Indefinite Parole" and/or "Humanitarian Parole", (4) "Cuban-Haitian Entrant."
- Other eligible noncitizen with a Temporary Resident Card (I-688).

If you are a citizen of the Marshall Islands, Federated States of Micronesia, or Palau, see your financial aid administrator.

If you cannot check the first or second box, you must check the third box. If you are in the U.S. on only an F1 or F2 student visa, only a J1 or J2 exchange visitor visa, or only a G series visa (pertaining to international organizations), you must check the third box.

9. Check your year in college from July 1, 1991 to June 30, 1992.

10. Check "No" if you do not have a Bachelor's degree and you will not have one by July 1, 1991.

Check "Yes" if you already have a Bachelor's degree or will have one by July 1, 1991. Check "Yes" if you have or will have a degree from a university in another country that is equal to a Bachelor's degree.

Section B: Student Status

Answer question 11. A blank counts as "No."

11a. Check the correct box. (See your answer to question 6.)

b. Check "Yes" if you are a veteran of active service in the U.S. Army, Navy, Air Force, Marines or Coast Guard. Also check "Yes" if you are not a veteran now but will be one by June 30, 1992.

Check "No" if you are or were:

- never in the U.S. Armed Forces,
- only an ROTC student,
- only a cadet or midshipman at one of the service academies,
- only a National Guard or Reserves enlistee, or
- currently serving in the U.S. Armed Forces, and will continue to serve through June 30, 1992.

c. Check "Yes" if (1) both your parents are dead and you don't have an adoptive parent or legal guardian, or (2) if you are currently a ward of the court. For a definition of a "**Legal Guardian**," see page 21. Otherwise check "No."

d. Check "Yes" if you have any children who get more than half of their support from you. Also check "Yes" if other people live with you and get more than half of their support from you and will continue to get that support during the 1991-92 school year. (Don't include your spouse.) Otherwise check "No."

Note: Different criteria are used for determining when a student is to be processed without regard to parents' data for State Grant purposes. Therefore, regardless of the answers in Section B, the student may still be requested at a later date to provide parents' and/or student's data to determine State Grant eligibility.

"Parents" in questions 12, 14a-14e, and 15 means your mother and/or father, or your adoptive parents, or legal guardian. "Parents" does not mean foster parents and, for this section, it does not mean stepparent. Later, the instructions will tell you if you should supply information about your stepparents.

Unmarried Undergraduate Students Only

12. If your parents claimed you as an exemption on their 1990 and/or will do so on their 1990 income tax return, you must answer "Yes." If your parents are divorced or separated, answer "Yes" if either of your parents claimed you as an income tax exemption in 1990 and/or will do so on their 1990 income tax return. Otherwise check "No".

13. Check the box that best describes when you first received Federal student aid, beginning with the 1987-88 school year (July 1, 1987-June 30, 1988). Check only one box: a, b, c, d or e.

Federal student aid includes:

- Pell Grant,
- Stafford Loan/Guaranteed Student Loan (GSL), including Supplemental Loans for Students (SLS)
- Supplemental Educational Opportunity Grant (SEOG),
- College Work-Study (CWS),
- Perkins Loan/National Direct Student Loan (NDSL), or
- State Student Incentive Grant (SSIG). These grants often have other names such as Student Incentive Grants, Incentive Grants, Tuition Grants, etc.

Below are some examples to help you answer question 13.

EXAMPLE #1 - Buck Bundy received Federal student aid in the 1986-87 and 1987-88 school years. Therefore, Buck should check box "a". Even if Buck had received Federal student aid in the 1985-86 and 1987-88 school years, he should still check box "a", because the first school year (beginning with 1987-1988) in which he received Federal student aid is 1987-88.

EXAMPLE #2 - Jeff Akbar first received Federal student aid in the 1988-89 school year. Therefore, Jeff should check box "b."

EXAMPLE #3 - Wu Lin first received Federal student aid in the 1989-90 school year. Therefore, Wu should check box "c."

EXAMPLE #4 - Kate Murphy first received Federal student aid in the 1990-91 school year. Therefore, Kate should check box "d."

EXAMPLE #5 - Vickie Tingley received Federal student aid in the 1986-87 school year and has not received Federal student aid since then. Therefore, Vickie should check box "e."

EXAMPLE #6 - Joaquin Rodriguez has never received Federal student aid. Therefore, Joaquin should check box "e."

14a-14e. When figuring your resources in questions 14a, 14b, 14c, 14d or 14e be sure to include:

- wages, salaries, and tips, etc.,
- interest income and dividend income,
- any student financial aid (except PLUS loans),
- personal long term cash loans used for educational purposes, and
- any other income and benefits (such as veterans cash benefits, fellowships, etc.)

Don't include any resources from your parents such as money that you earned from them or gifts that you received from them.

Married or Graduate/Professional Students Only

15. If your parents will claim you as an exemption on their 1991 income tax return, you must answer "Yes."

You must see your college financial aid administrator before completing the rest of this form if:

- you answered "No" to all of the questions in 11 but after answering questions 12 through 14, or 15 you were told to fill out the gray and the white areas, and
- you were not required to provide parental information in 1990-91, and
- you were claimed by any person, other than your spouse, as a tax exemption in 1990.

Important Instructions for Sections C, D, E, F, G & I

Parents' Information - blue areas

Read the descriptions below. Check the box that is true for you and follow the instructions.

☐ **Your parents are both living and married to each other.** Answer the questions on the rest of the form about them.

☐ **You have a legal guardian.** Answer the questions on the rest of the form about your "**Legal Guardian.**" For a definition of "Legal Guardian" see page 21.

☐ **Your parents have divorced or separated.** Answer the questions on the rest of the form about the parent you lived with most in the last 12 months. For example, if you lived with

your mother most, answer the questions about her, and not about your father. If you did not live with one parent more than with the other in the last 12 months, answer in terms of the parent who provided the most financial support during that time. If neither parent provided greater financial support during the last 12 months, answer in terms of the parent who provided the greater support during the most recent calendar year. (Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, payment of college costs, etc.)

☐ **Your parent is widowed or single.** Answer the questions on the rest of the form about that parent.

If you have a stepparent. If the parent that you counted above has married or remarried, you must include information about your stepparent (even if they were not married in 1990).

If you are giving information about your stepparent, note that whenever we say "parents" on the rest of the form, we also mean your stepparent.

Section C: Household Information

Your parents' household information - blue area

18. Show the current marital status of the people that you give information about on this form. For example, if you give information about your mother and stepfather, check the box that says "married," because your mother and stepfather are married.

17. Write in the two-letter abbreviation for your parents' current State/Country of legal residence. See the list of State/Country abbreviations under the instructions for questions 1-2 on page 7.

18. Write in the number of people that your parents will support between July 1, 1991 and June 30, 1992. Include your parents and yourself. Include your parents' other children if they get more than half of their support from your parents. Also include them if they would be required to provide parental information when applying for Federal student aid for the 1991-92 school year. Include other people only if they now live with and get more than half of their support from your parents and will continue to get this support between July 1, 1991 and June 30, 1992. (Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, payment of college costs, etc.)

19. Write in the number of people from question 18, including yourself, who will be going to college between July 1, 1991 and June 30, 1992. Include only students enrolling for at least 6 credit hours per term. If the school uses clock hours, include only students attending at least 12 clock hours per week.

Your (& your spouse's) household information - gray area

Fill out this section with information about yourself (and your spouse). If you are divorced, separated, or widowed, don't include information about your spouse.

20. Write in the number of people that you will support between July 1, 1991 and June 30, 1992. Include yourself and your spouse. Include your children if they get more than half of their support from you. Include other people only if they meet the following criteria:
    - they now live with you; and
    - they now get more than half of their support from you and they will continue to get this support between July 1, 1991 and June 30, 1992.

21. Write in the number of people from question 20, including yourself, who will be going to college between July 1, 1991 and June 30, 1992. Include only students enrolling for at least 6 credit hours per term. If the school uses clock hours, include only students attending at least 12 clock hours per week.

Section D: Your Parents' 1990 Income, Earnings, and Benefits

If the instructions tell you to skip a question, leave it blank. If your answer to any other question is "none" or "zero," put a zero in the answer space. Don't leave it blank or use dashes. For example:

$ 0 .00

If your parents filed (or will file) a "Foreign Tax Return" or a Puerto Rican tax return, see page 21.

22. **1990 U.S. Income Tax Figures**
    From a completed return. Check only one box to indicate which IRS Form was filed. Use this tax return to answer questions 23 through 26.

    Estimated. Check the correct box if your parents have not yet filed but will file a 1990 U.S. income tax return. Use their financial records to answer questions 23 through 26. For these questions, you must write in the figures that will be on the tax return. Filing out a 1990 U.S. income tax return will help you answer these questions.

    A tax return will not be filed. Check this box if your parents will not file a 1990 U.S. income tax return. Don't answer questions 23 through 25. Skip to question 26.

If you are giving information for only one parent and that parent filed (or will file) a joint tax return for 1990, give only that parent's portion of the exemptions and income asked for in questions 23 through 25.

If your parents are married and they filed (or will file) separate tax returns for 1990, be sure to include both parents' exemptions and income in questions 23 through 26.

23. **Total number of exemptions for 1990.** Write in the number from Form 1040, line 6e or 1040A, line 6e. If your parent used the 1040EZ and he or she checked "Yes" in question 4 of that form, write in "00." Otherwise write in "01."

Important: See the table below for some of the types of student financial aid that you should exclude from income and taxes in questions 24 through 28.

Student Financial Aid	Exclude if taxed on need	Exclude if not taxed on need
Grants, Scholarships, or Fellowships	Yes	Yes
Earnings from a work program including Assistantships	Yes	No
Loans	Yes	Yes

24. **Adjusted Gross Income (AGI) for 1990.**
    Don't include any income or capital gains from the sale of a business or farm, if the sale resulted from a voluntary or involuntary foreclosure, forfeiture, or bankruptcy or involuntary liquidation.

    Use worksheet #1 on page 23 to answer question 24 if you cannot get a 1990 tax form, but will be filing one.

25. **U.S. income tax paid for 1990.** Make sure this amount doesn't include any FICA, self-employment, or other taxes. Don't copy the amount of "Federal income tax withheld" from a W-2 Form.

26-27. **Income earned from work in 1990.**
    If you skipped questions 23 through 25, include your parents' earnings from work in 1990. Add up the earnings from your parents' W-2 forms and any other earnings from work that are not included on the W-2.

    If you answered questions 23 through 25, include the "wages, salaries, tips, etc." from your parents' Form 1040, line 7; 1040A, line 7; or 1040EZ, line 1. If your parents filed a joint return, report your father's and mother's earnings separately. If your parents own a business and/or farm, also add in the numbers from Form 1040, lines 12 and 19.

25. Untaxed income and benefits for 1990.

a. **Social security benefits for 1990.** Write in the amount of untaxed social security benefits (including Supplemental Security Income) that your parents got in 1990. Don't include any benefits reported in question 24. Don't report monthly amounts; write in the total for 1990. Be sure to include the amounts that your parents got for you and their other children.

b. **Aid to Families with Dependent Children (AFDC or ADC) for 1990.** Don't report monthly amounts; write in the total for 1990. Don't report social security benefits here.

c. **Child support received for all children.** Include the student. Don't report monthly amounts; write in the total for 1990.

d. **Other untaxed income and benefits for 1990.** Add up your parents' untaxed income and benefits for 1990. Use worksheet #2 on page 22. Be sure to include your parents' earned income credit and deductible IRA/Keogh payments, if any.

Everyone must answer the questions in the Student [& Spouse] column in Section D.

Section D: Your (& Your Spouse's) 1990 Income, Earnings and Benefits

If the instructions tell you to skip a question, leave it blank. If your answer to any other question is "none" or "zero", put a zero in the answer space. Don't leave it blank or use dashes. For example:

$ 0 .00

If you (or your spouse) filed (or will file) a "Foreign Tax Return" or a Puerto Rican tax return, see page 21.

23. 1990 U.S. Income Tax Figures

From a completed return. Check only one box to indicate which IRS Form was filed. Use the tax return to answer questions 23 through 28.

Estimated. Check the correct box if you (and your spouse) have not yet filed but will file a 1990 U.S. income tax return. Use your financial records to answer questions 23 through 28. For these questions, you must write in the figures that will be on the tax return. Filling out a 1990 U.S. income tax return will help you answer these questions.

A tax return will not be filed. Check this box if you (and your spouse) will not file a 1990 U.S. income tax return. Don't answer questions 23 through 25. Skip to question 26.

If you are divorced, separated, or widowed, and you filed (or will file) a joint tax return for 1990, give only your portion of the exemptions and income asked for in questions 23 through 28.

If you are married and you and your spouse filed (or will file) separate tax returns for 1990, be sure to include both your and your spouse's exemptions and income in questions 23 through 28, even if you were not married in 1990.

23. Total number of exemptions for 1990. Write in the number from Form 1040, line 6e or 1040A, line 6e. If you used the 1040EZ and you checked "Yes" in question 4 of that form, write in "00." Otherwise write in "01."

Important: See the table below for some of the types of student financial aid that you should exclude from income and taxes in questions 24 through 28.

Student Financial Aid	Exclude if taxed on need	Exclude if not taxed on need
Grants, Scholarships, or Fellowships	Yes	Yes
Earnings from a work program including Assistantships	Yes	No
Loans	Yes	Yes

24. Adjusted Gross Income (AGI) for 1990.

Don't include any income or capital gains from the sale of a business or farm, if the sale resulted from a voluntary or involuntary foreclosure, forfeiture, or bankruptcy or involuntary liquidation.

Use worksheet #1 on page 23 to answer question 24 if you cannot get a 1990 tax form, but will be filing one.

25. U.S. income tax paid for 1990. Make sure this amount doesn't include any FICA, self-employment, or other taxes. Don't copy the amount of "Federal income tax withheld" from a W-2 Form.

26-27. Income earned from work in 1990.

If you skipped questions 23 through 25, include your (and your spouse's) earnings from work in 1990. Add up the earnings from your (and/or your spouse's) W-2 forms and any other earnings from work that are not included on the W-2.

If you answered questions 23 through 25, include the "wages, salaries, tips, etc." from your (and your spouse's) Form 1040, line 7; 1040A, line 7; or 1040EZ, line 1. If you (and your spouse) filed a joint return, report your and your spouse's earnings separately. If you (and your spouse) own a business and/or farm, also add in the numbers from Form 1040, lines 12 and 19.

28. Untaxed income and benefits for 1990.

Don't include benefits reported in questions 28a, 28b, 28c, and 28d of the parent column.

a. **Social security benefits for 1990.** Write in the amount of untaxed social security benefits (including Supplemental Security Income) that you (and your spouse) got in 1990. Don't include any benefits reported in question 24. Don't report monthly amounts; write in the total for 1990. Be sure to include the amounts that you got for your children.

b. **Aid to Families with Dependent Children (AFDC or ADC) for 1990.** Don't report monthly amounts; write in the total for 1990. Don't report social security benefits here.

c. **Child support received for all children.** Don't report monthly amounts; write in the total for 1990.

d. **Other untaxed income and benefits for 1990.** Add up your (and your spouse's) untaxed income and benefits for 1990. Use worksheet #2 on page 22. Be sure to include your (and your spouse's) earned income credit and deductible IRA/Keogh payments, if any.

Section E: College Release and Certification

29a., b. & c. College Choice

Write in the **complete** name, college code, city, and State of the college(s) that you will most likely be going to during the 1991-92 school year. In 29a, write in the name, college code and address of your first college choice. In 29b and 29c, write in the name, college code and address of your second and third college choices. Do not use abbreviations for the name or address of the college. If the college you may be going to is a branch campus, be sure to include the complete name of the branch. If you don't know yet which college(s) you are most interested in, you may leave this question blank. If there are additional schools you are likely to attend, you may attach a note to the application identifying those schools.

OBTAIN THE COLLEGE CODE(S) FOR ITEMS 29a, 29b AND 29c, from the INSTITUTIONAL CODE LIST on pages 15 and 16. If the college is not on the list, leave the code blank but write in the name and address. You will have an opportunity to revise your status later. You will be considered for aid by PHEAA only at the college listed in 29a. If you change your primary choice, you must notify PHEAA in writing.

COLLEGES IN NEW YORK OR NEW JERSEY

State Grant applicants are normally not eligible at colleges located in New York or New Jersey due to the restrictions these states have placed on their state grant recipients enrolling in Pennsylvania institutions.

30a. The U.S. Department of Education is permitted by regulation to provide your name, address, social security number, date of birth, Pell Grant Index (PGI), Family Contribution (FC), student status, year in college, and State of legal residence to the college(s) that you listed in question 29a, 29b, and 29c (or its representative), even if you check "No" to question 30b. This information will also go to the State agencies in your State of legal residence to help coordinate State financial aid programs with Federal student aid programs, even if you check "No" to question 30a. However, no additional information such as income information will be sent if you check "No" to question 30a or 30b.

Check "Yes" if you give the U.S. Department of Education permission to send information from this form to the financial aid agencies in your State. Some State agencies ask for this information. They may use it to help decide whether you will get a State award and to check to see if you reported correct information on your State student aid application. Also, they may use it to help in the processing of your application for a Stafford Loan, if you are eligible.

Check "No" if you don't want the U.S. Department of Education to send information from this form to the financial aid agencies in your State. If you check "No", any State aid you might be eligible for may be delayed, but it will have no effect on your Federal aid.

Even if you answer "Yes" to item 30a, you have not fulfilled the requirements of applying for a Pennsylvania State Grant; you are still required to complete the other items on this application in accordance with the instructions.

30b. Check "Yes" if you give the U.S. Department of Education permission to send information from this form to the college(s) that you listed in question 29a, 29b, and 29c (or its representative). Many colleges use this information to help estimate the amount of your financial aid package.

(continued at top of next column)

Check "No" if you do not want the U.S. Department of Education to send information from this form to the college(s) you listed in question 29a, 29b, and 29c (or its representative).

31. If you check "Yes" for this item, PHEAA will send your information to the U.S. Department of Education so you may be considered for a Pell Grant and other Federal student financial aid. You must apply for Federal aid to be eligible for a State Grant from Pennsylvania. **Failure to check "Yes" for this item may result in delay or in a loss of Federal aid and State Grant aid. If you have already applied for Federal aid on a CSS, ACT, USAF or CSX application, or Application for Federal Student Aid, you need not check "Yes" for this question.**

32. Selective Service Registration

In order to receive Federal student aid you must be registered with Selective Service if:

- you are a male who is at least 18 years old and born after December 31, 1959.

Check the box only if you:

- checked "yes" to question 31, and
- are a male and are 18 through 25 years of age, and
- have not yet registered with Selective Service, and
- give Selective Service permission to register you.

If you believe that you are not required to be registered, call the Selective Service at 1-800-621-5368 for information regarding exemptions.

33. Read and Sign

You must sign this form. If you don't sign this form, it will be returned unprocessed. If you are married, your spouse must sign this form. If you filled out the BLUE and the WHITE areas, at least one of your parents must also sign this form. **Everyone signing this form is certifying that all information on the form is correct and that they are willing to provide documents to prove that the information is correct. Such documents may include U.S., State, or local tax returns. Any application dated or received before January 1, 1991 will be returned unprocessed.**

ATTENTION

If you are filling out the BLUE and WHITE areas, you will need to refer to Section D to complete worksheet A below. The worksheet will tell you whether you must fill out the Supplemental Information (Sections F through I).

WORKSHEET "A" FOR THE SIMPLIFIED NEEDS TEST

1. Did or will you, your spouse, or your parents file a 1990 IRS Form 1040? (Does not include 1040A or 1040EZ.)
   - ☐ Yes (Fill out Sections F through I.)
   - ☐ No (Fill out the rest of this worksheet.)

   Check "Yes" if a foreign or Puerto Rican tax return was or will be filed.

Income from:	PARENTS COLUMN A	STUDENT/SPOUSE COLUMN B
2A. Question 24	$ .00	$ .00
OR		
2B. Questions 26 and 27 (use only if you left Question 24 blank)	$ .00	$ .00
3. Write in the total of column A and column B entries from Question 2	$ .00	

If the total from 3 is $15,000 or less, and you are applying for federal student aid only, mail the form. You do not have to fill out the Supplemental Information (unless you, your spouse or at least one of your parents is a dislocated worker or your school or State asks you to). **Mail the form to:** PHEAA, P.O. Box 8111, Harrisburg, Pennsylvania 17105-8111.

If the total from 3 is $15,001 or more, you must fill out Sections F through I.

Important: If you wish to apply for State Grant aid or college aid you must complete Sections F through L.

Instructions for the Supplemental Information

Section F: Your Parents' 1990 Expenses

Don't leave any of these questions blank. If a question doesn't apply to you, write in "0."

34. **Medical and dental expenses in 1990 not paid by insurance.** Write in the amount of money that your parents **paid** in 1990 for medical and dental expenses (include insurance premiums). Don't include amounts covered by insurance or self-employed health deductions from Form 1040-line 26. If your parents itemized deductions on their 1990 U.S. income tax return, write in the amount from Form 1040, Schedule A, line 1.

35a. **Elementary, junior high, and high school tuition paid in 1990.** Write in the amount of money that your parents **paid** in 1990 for elementary, junior high, and high school tuition for family members who were included in question 18. (Tuition doesn't include room, board, books, transportation, etc.). **Don't include** tuition paid by scholarships. Also, don't include tuition that your parents paid for you or any tuition for preschool or college.

35b. Write in the number of dependent children for whom the amount listed in 35a was paid in 1990. **Don't include** yourself (the student) or any person who was not included in question 19.

Section F: Your (& Your Spouse's) 1990 Expenses

Don't leave any of these questions blank. If a question doesn't apply to you, write in "0."

34. **Medical and dental expenses in 1990 not paid by insurance.** Write in the amount of money that you (and your spouse) **paid** in 1990 for medical and dental expenses (include insurance premiums). Don't include amounts covered by insurance or self-employed health deductions from Form 1040-line 26. If you (and your spouse) itemized deductions on your 1990 U.S. income tax return, write in the amount from Form 1040, Schedule A, line 1.

35a. **Elementary, junior high, and high school tuition paid in 1990.** Write in the amount of money that you (and your spouse) **paid** in 1990 for elementary, junior high, and high school tuition for family members who were included in question 20. (Tuition doesn't include room, board, books, transportation, etc.). **Don't include** tuition that you paid for yourself, tuition paid by scholarships, or any tuition paid for preschool or college.

35b. Write in the number of dependent children for whom the amount listed in 35a was paid in 1990. **Don't include** yourself or any person who was not included in question 20.

Section G: Your Parents' Assets

Don't leave any of these questions blank. If a question doesn't apply to you, write in "0."

You must give information about your parents' assets in Section G. If you are giving information for only one parent and that parent has jointly owned assets, give only that parent's portion of the assets and debts. If your parents have assets owned jointly with someone else, give only your parents' portion of the assets and debts.

In Section G, **don't include:**

- Personal or consumer loans, or any debts that are not related to the assets listed
- The value of retirement plans (pension funds, annuities, IRA's, Keogh Plans, etc.)
- Student financial aid

36. Check "Yes" if either of your parents (for whom you are providing information) meets **all** of the following descriptions for a displaced homemaker:
    - your parent has not worked full-time in the labor force for a substantial number of years (e.g., approximately five years or more) but has, during those years, worked in the home providing unpaid services for family members; **and**
    - your parent has been dependent on public assistance or on the income of another family member but is no longer receiving that income, or your parent is receiving public assistance because of dependent children in the home; **and**
    - your parent is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.

    "Unemployed" means not working this week but being available for work. To qualify, your parent must have made specific efforts to get a job sometime during the last four weeks.

    "Underemployed" means working part-time even though your parent wants full-time employment. It refers to a condition where work is slack or only part-time work is available.

    Check "No" if neither of your parents meets **all** the descriptions mentioned above.

37. Write in the **age** of the older parent for whom you gave information on this form.

38. **Home.** If your parents own a home, write in how much the home is worth. Use the price your parents could reasonably expect to receive for their home if it went on sale **today.** Don't use assessed, insured, or taxed value. A "home" includes a house, mobile home, condominium, etc. If your parents are renters, write in "0."

    Then, write in how much your parents owe on the home, including the present mortgage and related debts on the home. (Don't include interest due.) Check with the mortgage company if you don't know.

40. **Other real estate and investments.** If your parents own *other real estate (including rental property, land, second or summer homes)* or have investments, write in how much they are worth **today.** Investments include trust funds, money market funds, mutual funds, certificates of deposit, stocks, bonds, other securities, installment and land sale contracts *(including mortgages held)*, commodities, precious and strategic metals, etc.

    Then, write in how much your parents owe on other real estate and investments.

41. **Business and farm.** If your parents own a business and/or farm, write in how much the business and/or farm are worth today. Include the value of land, buildings, machinery, equipment, livestock, inventories, etc. Don't include the home. (Home value and debt should be given in question 39.)

    Then, write in what your parents owe on the business and/or farm. Include only the present mortgage and related debts for which the business and/or farm were used as collateral.

    If your parents are not the sole owners, write in only their share of the total value and debt.

Section G: Your (& Your Spouse's) Assets

Don't leave any of these questions blank. If a question doesn't apply to you, write in "0."

You must give information about your (and your spouse's) assets in Section G. If you are divorced or separated and you and your spouse have jointly owned assets, give only your portion of the assets and debts. If you (and your spouse) have assets owned jointly with someone else, give only your (and your spouse's) portion of the assets and debts. Be sure to give information about assets held in trust for you (and your spouse).

In Section G, **don't include:**

- Personal or consumer loans, or any debts that are not related to the assets listed
- The value of retirement plans (pension funds, annuities, IRA's, Keogh Plans, etc.)
- Student financial aid

38. Check "Yes" if you or your spouse meets all of the following descriptions for a displaced homemaker:

- you or your spouse has not worked full-time in the labor force for a substantial number of years (e.g., approximately five years or more) but has, during those years, worked in the home providing unpaid services for family members; and
- you or your spouse has been dependent on public assistance or on the income of another family member, but is no longer receiving that income, or you or your spouse is receiving public assistance because of dependent children in the home; and
- you or your spouse is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.

"Unemployed" means not working this week but being available for work. To qualify, you or your spouse must have made specific efforts to get a job sometime during the last four weeks.

"Underemployed" means working part-time even though you want or your spouse wants full-time employment. It refers to a condition where work is slack or only part-time work is available.

Check "No" if neither you nor your spouse meets all of the descriptions mentioned above.

39. **Home.** If you (and/or your spouse) own a home, write in how much the home is worth. Use the price you could reasonably expect to receive for the home if it went on sale today. Don't use assessed, insured, or taxed value. A "home" includes a house, mobile home, condominium, etc. Renters, write in "0."

Then, write in how much you (and/or your spouse) owe on the home, including the present mortgage and related debts on the home. (Don't include interest due.) Check with the mortgage company if you don't know.

40. **Other real estate and investments.** If you (and/or your spouse) own other *real estate (including rental property, land, second or summer homes)* or have investments, write in how much they are worth today. Investments include trust funds, money market funds, mutual funds, certificates of deposit, stocks, bonds, other securities, installment and land sale contracts (*including mortgages held*), commodities, precious and strategic metals, etc.

Then, write in how much you (and/or your spouse) owe on other real estate and investments.

41. **Business and farm.** If you (and/or your spouse) own a business and/or farm, write in how much they are worth today. Include the value of land, buildings, machinery, equipment, livestock, inventories, etc. Don't include the home. (Home value and debt should be given in question 39.)

Then, write in what you (and/or your spouse) owe on the business and/or farm. Include only the present mortgage and related debts for which the business and/or farm were used as collateral.

If you (and your spouse) are not the sole owners, write in only your (and your spouse's) share of the total value and debt.

Section H: Your 1991-92 Veterans Educational Benefits per month (for the student only)

43. **Your veterans Dependents Educational Assistance Program Benefits**

a. Write in the amount of veterans Dependents Educational Assistance Program (Chapter 35) benefits that you expect to get per month from July 1, 1991 through June 30, 1992. Don't include Death Pension, or Dependency & Indemnity Compensation (DIC).

b. Write in the number of months from July,1 1991 through June 30, 1992 that you expect to get those benefits.

44. **Your Veterans Contributory Benefits (VEAP)**

a. Write in the amount of Veterans Contributory Benefits (Chapter 32) that you expect to get per month from July 1, 1991 through June 30, 1992. (Include both the Government and student portions.) Don't include Death Pension, or Dependency & Indemnity Compensation (DIC).

b. Write in the number of months from July 1, 1991 through June 30, 1992 that you expect to get those benefits.

Section I: Your Parents' Expected 1991 Taxable and Nontaxable Income and Benefits

How to figure expected amounts

This section asks about income and benefits that your parents expect to get. If your parent is divorced, separated or widowed, don't include information about the other parent. Answer these questions as accurately as you can. If a question doesn't apply, or your parents don't expect to get any income or benefits from that source, write in "0."

45. Check "Yes" if either of your parents (for whom you are providing information) is currently certified as a "Dislocated Worker" (see page 21) by the appropriate State agency.

If you checked "Yes," you may be asked to document your parent's status as a dislocated worker.

Check "No" if neither of your parents is certified as a dislocated worker. Skip to question 45 in the Student (and Spouse) column.

Important: See the table on page 9 for the kinds of income and taxes to leave out of Section I.

46-47. **1991 income earned from work.** Include wages, salaries and tips. See **Important** note above.

48. **1991 other taxable income.** Write in the total amount of other taxable income that your parents will report on their 1991 IRS Form 1040, 1040A or 1040EZ. Include interest and dividend income and any other taxable income. Don't include any unemployment compensation or any income that you reported in questions 46 and 47.

49. **1991 U.S. income tax to be paid.** Write in the amount of income taxes that your parents expect to pay in 1991. Make sure this amount doesn't include any FICA, self-employment, or other taxes.

50. **1991 nontaxable income and benefits.** These are the same types of income and benefits that were asked for in questions 28a, 28b, 28c, and 28d.

Section I: Your (& Your Spouse's) Expected 1991 Taxable and Nontaxable Income and Benefits

How to figure expected amounts

This section asks about income and benefits that you (and your spouse) expect to get. If you are divorced, separated or widowed, don't include information about your spouse. Answer these questions as accurately as you can. If a question doesn't apply to you, or if you don't expect to get any income or benefits from that source, write in "0."

46. Check "Yes" if you or your spouse is currently certified as a "Dislocated Worker" (see page 21) by the appropriate State agency.

If you checked "Yes," you may be asked to document your status (or that of your spouse) as a dislocated worker.

Check "No" if neither you nor your spouse is certified as a dislocated worker.

Important: See the table on page 10 for the kinds of income and taxes to leave out of Section I.

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46-47. 1991 income earned from work. Include wages, salaries, and tips. See important note on page 13 below question 45.

48. 1991 other taxable income. Write in the total amount of other taxable income that you (and your spouse) will report on your 1991 IRS Form 1040, 1040A, or 1040EZ. Include interest and dividend income and any other taxable income. Don't include any unemployment compensation or any income that you reported in questions 46 and 47.

49. 1991 U.S. income tax to be paid. Write in the amount of income taxes that you and your spouse expect to pay in 1991. Make sure this amount doesn't include any FICA, self-employment, or other taxes.

50. 1991 nontaxable income and benefits. These are the same types of income and benefits that were asked for in questions 25a, 25b, 25c, and 25d.

Section J: Stafford Loan Information

Please note that the Guaranteed Student Loan Program is now called the Stafford Loan Program.

Answering the questions in this section does not commit you to accept a Stafford Loan (formerly GSL). It simply provides PHEAA with information necessary to send you a loan application.

51a. If you want PHEAA to send you an application for a Stafford Loan, (formerly GSL), answer "yes" to question 51a and complete question 51b. If you answer "yes" to question 51a and you have not already filed a loan application for the 1991-92 academic year, PHEAA will send you a loan application. You must then complete this loan application and send it to the lender you select to apply for a loan.

51b. If you check "yes" for question 51a, select a lender from which you wish to borrow from the list of lending institutions beginning on page 17. Indicate the lender's PHEAA code on the form. If you have outstanding Stafford Loans (PHEAA Guaranteed Student Loans), list the code of the lender from which you received these loans.

52a. Check "yes" if you currently are in default on a student loan. This covers loans through PHEAA, FISL, the Consolidation Loan Program, Perkins (NDSL) Loan Program, Income-Contingent Loan Program, United Student Aid Funds (USAF), HEAF, or loans from another guaranty agency such as PHEAA which is located in a state other than Pennsylvania. "Default" means you did not make complete and proper repayment to the lender and the lender turned the account over to the guaranty agency for collection.

If you are not in default on a student loan, check "No".

52b. Check "Yes", if you owe a refund on a state or federal grant.

Check "No", if you do not owe a refund on a state or federal grant.

53a. Place a check mark in the "yes/no" question which asks if you have outstanding Stafford Loans (GSL's) through a guaranty agency **other than PHEAA.** If "no" is checked, go to Section K.

53b. If you check "yes" for question 53a, print the 2-letter state abbreviation of the state in which the other agency is located. Print "USAF" or "HEAF" if the loans were guaranteed by United Student Aid Funds or by Higher Education Assistance Foundation.

53c-53f. Complete these questions about any outstanding Stafford Loans (Guaranteed Student Loans) guaranteed through an agency other than PHEAA. Do not include information about any PHEAA Stafford Loans (PHEAA Guaranteed Student Loans).

Section K: Pennsylvania State Grant Information

54. Application Purpose

If one of the reasons for completing this form is to apply for Pennsylvania State Grant aid, check "Yes" and complete the rest of the application. If you are not applying for Pennsylvania State Grant aid, check "No" and do not complete Section K.

55. Housing Status

Carefully read each housing description. Check the block which best describes your expected housing status during the 1991-92 academic year. You will have an opportunity to revise this status later.

Code	Housing
1....	Commuter —living at home with parents
2....	Dormitory —living in housing owned or supervised by school
3....	Off-Campus—living away from parents' home and not in dormitory housing

NOTE: Commuter should be checked if you will be off-campus but will be provided with room or board without charge (for example, living with relatives).

56. Program of Study

If you are a graduate student you do not need to complete this item.

Be certain to select the code from the list for the type of institution you plan to attend.

Enter the code selected in the block for item 56 on the application and print the name of the program of study in item 56 on the line provided.

EDUCATIONAL OBJECTIVES

CODES FOR TRADE, TECHNICAL AND BUSINESS SCHOOLS

The codes for courses of study at these schools are listed under each school name on the Trade, Technical and Business Schools section of the Institutional Code List on page 18. If your program of study is not listed, check with the financial aid officer at the school you will attend to determine whether the program is approved in the State Grant Program.

CODES FOR BACHELOR'S DEGREE GRANTING SCHOOLS

A	Five-Year Cooperative Work Study (All Majors)
B	Bachelor's Degree (Religion Major)
C	Bachelor's Degree (All Other Majors)
G	Two-Year Terminal Program in a Four-Year College or University
H	Program of Less Than Two Academic Years

CODES FOR TWO-YEAR PUBLIC AND JUNIOR COLLEGES

I	College Transferable Program
J	Two-Year Terminal Program—Credit Not Transferable to a Four-Year College
K	Program of Less Than Two Academic Years

CODES FOR HOSPITAL SCHOOLS OF NURSING

L	Registered Nurse Program
M	All Other Programs

57. Enrollment Status

Check your expected enrollment status for the 1991-92 academic year.

PENNSYLVANIA FOUR YEAR COLLEGES AND UNIVERSITIES

PENNSYLVANIA TWO-YEAR PUBLIC AND JUNIOR COLLEGES

PENNSYLVANIA HOSPITAL SCHOOLS OF NURSING

OUT-OF-STATE COLLEGES AND UNIVERSITIES MOST FREQUENTLY ATTENDED BY PENNSYLVANIA STUDENTS

INSTITUTION CODE LIST—PROGRAM CODES ARE GIVEN EACH INSTITUTION'S NAME

TRADE, TECHNICAL, AND BUSINESS SCHOOLS

PHEAA APPROVED LENDER MAIN OFFICES

From this list, select the bank or other lender from which you want to borrow a student loan and indicate this lender's code in item 01b on the form. IF YOU HAVE OUTSTANDING PHEAA STAFFORD LOANS (GSL'S), YOU MUST LIST THE PHEAA CODE OF THE LENDER FROM WHICH YOU RECEIVED YOUR PHEAA LOANS.

The lenders on this list are participating lenders. Eligible Pennsylvania offer student loans to any eligible student. Because it becomes more certain institutions open and close their doors, lenders sometimes merge, or change their names. Therefore, BEFORE you choose any lender from Section II, you SELECT another the lender to make sure you meet their participating requirements unless you have borrowed student loans from them before. Within each section of the list, lenders are listed alphabetically. Branch offices of the lenders listed are not shown but they also participate in the loan program.

If you have not already filed a PHEAA Stafford Loan (GSL) application for the 1991-92 academic year, choose a lender from the list that is located in your home community. Remember: Once you obtain a PHEAA student loan, all your future loan requests must be made through the same lender.

SECTION I

THE FOLLOWING LENDERS OFFER PHEAA STUDENT LOANS TO ANY ELIGIBLE STUDENT.

Code	Lender Name	City
003100	Allentown Literary Fed. Engs. Bank	Allentown
001000	Allegheny Valley Bank of Pittsburgh	Pittsburgh
003000	Ambassador Fed. Engs. & Loan Assn.	Upper Darby
004000	Bank & Trust Co. of York Haven	Yorkhaven
005000	Bank of Chester Co.	West Chester
007100	Bank of Hanover & Tr. Co.	Hanover
008000	Beaver Trust Co.	Beaver
009100	Berwick Savings and Loan Association	Berwick
010000	Berks Bank	Reading
012000	Blue Ball Nat'l Bank	Blue Ball
013000	Bloomsburg Engs. & Loan Assn.	Bloomsburg
047000	Bucks County Bank & Trust Co.	Doylestown
021000	Commercial Engs Bank	Williamsport, PA
022700	Central Bank	Philipsburg
023000	Chartered Federal Engs. & Loan Assn.	Chartiers
024000	Cheltenham Bank	Cheltenham
024017	Chestnut Hill Nat'l Bank	Philadelphia
031000	Commercial Nat'l Bank	Lemoyne
032100	Commonwealth Bank and Trust Company, N.A.	Harrisburg
033000	Community Nat'l Bank	Harrisburg
034000	Community Bank & Trust Co.	Penns City
011400	Community Bank Nat'l Assn.	Cornwells
042000	Community Nat'l Bank of Northumberland PA	Milton
035700	Community Savings Assn.	Pittsburgh
021200	Conemaugh Bank	Ft. Washington
038000	Corry Savings and Loan Association	Corry
039000	Curwensville State Bank	Curwensville
040000	Dauphin Deposit Bank & Trust Co.	Harrisburg
041000	Delaware Savings Bank of NJ	Riverside, NJ
042000	Dollar Bank	Pittsburgh
043000	Doylestown Federal Savings and Loan	Doylestown
047000	East Stroudsburg Savings Association	East Stroudsburg
045000	Elkhorn State Bank	Elkhorn
046000	Elwood Federal Savings Bank	Elwood City
048000	Emporium Nat'l Bank	Emporium
049000	Everett Bank	Everett
010700	Farmers & Merchants Trust Co.	Chambersburg
007000	Farmers Bank & Trust Co.	Lewistown
054000	Farmers First Bank	Lititz
057000	Farmers Trust Co.	Carlisle
012000	Fidelity Bank and Trust Company	Uniontown
040000	Fidelity Bank	Philadelphia
707700	Fidelity Federal Engs. & Loan Assn.	Philadelphia
061000	Fidelity Savings Assn.	Pittsburgh
062000	First American Savings	Pittsburgh
063000	First Bank of Chester Pittston	Pittston
065011	First Bank & Trust Co.	Boswell
066000	First Citizens National Bank	Mechanicsburg
010700	First Clearfield Bank, N.A.	Clearfield
702700	First Federal of Western PA	Butler
703000	First Federal Savings & Loan Assn.	Wilkes-Barre
704000	First Federal Savings & Loan Assn.	Hazleton
705000	First Federal Savings & Loan Assn.	Monessen
701200	First Federal Savings & Loan Assn.	Uniontown
706000	First Federal Savings & Loan Assn.	New Castle
707000	First Federal Engs. & Loan Assn.	Pittsburgh
707100	First Federal S & L of Mt. Oliver	Pittsburgh
064010	First Federal Savings Bank	Wilmington
068000	First Home Savings	Pittsburgh
069000	First National Bank and Trust Company of Newtown	Newtown
000000	First National Bank in Washington	Washington
000000	First National Bank of Bedford Co.	Bedford
000000	First National Bank of Lake Ariel	Lake Ariel
000000	First National Bank of Lewisburg	Lewisburg

SECTION I continued

Code	Lender Name	City
000100	First National Bank of Marysville	Marysville
010000	First National Bank of Mercer Co.	Mercer
000000	First National Bank of PA	Erie
000000	First National Bank of Slippery Rock	Slippery Rock
044010	First National Bank of West Chester	West Chester
044000	First National Community Bank	Dunmore
001400	First Pennsylvania Bank N.A.	Philadelphia
000100	First Seneca Bank	Oil City
000000	First South Engs. and Loan	Pittsburgh
707000	First United Fed. Engs. & Loan Assn.	Johnstown
001100	First United Natl Bank	Peckville
001100	First Valley Bank	Bethlehem
001000	Fleetwood Savings Bank	Philadelphia
701000	Franklin First Federal	Lebanon
014000	Fulton Bank	Lancaster
012000	Gallitzin National Bank	Gallitzin
000000	Great American Fed. S & L Assn.	Pittsburgh
000000	Greater Delaware Vly. S & L Assn.	Broomall
000000	Hamilton PA Savings Association	Bethlehem
001000	Hamilton Bank	Reading
014000	Hanover Bank of PA	Wilkes-Barre
014000	Harris Savings Assn.	Harrisburg
014700	Hatboro Nat'l Bank	Hatboro
014000	Hershey National Bank	Hershey
014000	Home S & L Assn. of Tamaqua	Tamaqua
014000	Homestead Savings and Loan Association	Altoona
014000	Iron Bank and Trust Company	Irwin
014000	Jersey Shore Savings and Loan Assn.	Toms River, NJ
014000	Johnson Bk. & Tr. Co.	Johnstown
014000	Johnstown Savings Bank	Johnstown
014000	Lemoyne Savings Assn.	Harrisburg
014000	Liberty Bank	Allentown
014000	Liberty Savings Assn.	Harrisburg
014000	Lehigh Valley Bank	Bethlehem
014000	Malvern Fed. Fed Engs. & Loan Assn.	Erie
014000	Marine Bank	Erie
014000	Maryland National Bank	Maryland, VA
014000	Mellon Nat'l Bank	Mellon
014000	Mellon Bank (Central)	Mellon Collection
014000	Mellon Bank (East)	Mellon Collection
014000	Mellon Bank (Florida)	Mellon Collection
014000	Mellon Bank (Texas)	Mellon Collection
014000	Meyersdale Bank, Trust	Meyersdale
014000	Mid Penn Nat'l Bank	Middleburg
014000	Middleburg Nat'l Bank	Middleburg
014000	Monitor Bank	Philadelphia
014000	Monroe Savings Bank	Stroudsburg
014100	Mid Penn Bank	Millersburg
014000	Mifflin Cnty. Engs & Loan Assn.	Lewistown
014000	Moorestown Savings Bank	Moorestown, NJ
014000	Morton Bank	Morton
014000	Nat'l Bk. of Commonwealth	Kittanning
014000	National Bank North East	North East
014000	New Eagle Bank	New Eagle
014000	New Penn Engs. and Loan	Bethlehem
014000	Northern Bank of PA	Wilkes-Barre
014000	Northern Central Bank	Williamsport
014700	Northwest Savings Bank PA SA	Erie
014000	Old Forge Bank	Old Forge
014000	Peoples Savings Association	Pittsburgh
014000	Penn Nat'l Bk. & Tr. Co.	Hanover
014000	Penn Savings Bank FSB	Pittsburgh
014100	Penn Security Bank	Scranton
014700	Pennbank	Pittsburgh
014000	Pennsylvania National Bank	Pittsburgh
014000	Pennview Savings Assn.	Philadelphia
014000	Peoples Bank of Glen Rock	York
014000	Peoples Bk. of Western PA	New Castle
014000	Peoples First National Bank and Trust	Hawkins
014100	Peoples Home Savings Bank, FASA	Reiton

SECTION I continued

Code	Lender Name	City
031000	Peoples National Bank of Central PA	State College
041000	Peoples National Bank of Lebanon	Lebanon
041000	Peoples National Bank of Rural Valley	Rural Valley
032000	Peoples State Bank	Hughesville
031000	Philadelphia National Bank	Philadelphia
031000	Philadelphia Postal Emps. & Loan Assn.	Philadelphia
013000	Pioneer American Bank, N.A.	Philadelphia
043000	Pittsburgh Nat'l Bank	Pittsburgh
032000	Prime Savings Bank	Philadelphia
031000	Provident National Bank	Philadelphia
031000	PSFS	Philadelphia
032100	Quakertown Nat'l Bank	Quakertown
036100	Reliance Savings Assn.	Altoona
013000	Rockhill Nat'l Bank	Lansdale
031000	Rodrigo & Trust Co. of PA	Lebanon
041700	Scottdale Bank & Tr. Co.	Scottdale
043000	Sharon Savings Bank, FASA	Darby
044004	Snyder County Trust Co.	Selinsgrove
036000	Southeast Trust Co.	Richmond
036000	Southwest Nat'l Bk. of PA	Pittsburgh
032700	Spring Hill S & L of Pgh.	Pittsburgh
047100	Summit Bank	Hamburg
031000	Switzerland National Bank	Philadelphia
032100	The Citizens Bank	Philadelphia
013400	Third Nat'l Bk. & Tr. Co.	Scranton
047000	Three Rivers Bank & Trust Co.	Pittsburgh
036100	Union Nat'l Bank of Pgh.	Pittsburgh
017100	United Penn Bank	Wilkes-Barre
034000	United States National Bank	Johnstown
030400	Valley Federal Emps. & Loan Assn.	Easton
044077	Williamsport Nat'l Bank	Williamsport
037400	Wayne County Bank and Trust Company	Honesdale
037200	Westmoreland Fed. Emps. & Loan Assn.	Latrobe
017900	Williamsport Nat'l Bank	Williamsport
036400	York Bk. & Tr. Co.	York
036800	York Federal Emps. & Loan Assn.	York

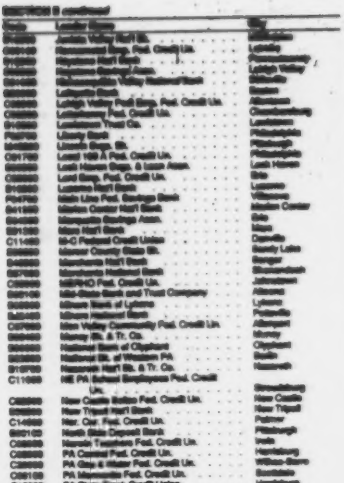
SECTION II

THE FOLLOWING LENDERS HAVE CERTAIN RESTRICTIONS ON TO WHOM THEY LEND STUDENT LOANS. If you want to choose a lender from this section, check with the lender first unless you already have borrowed student loans from the lender. If you choose a credit union as your lender, you or your family must be a member of the credit union.

Code	Lender Name	City
C08000	Allegheny Valley Fed. Credit Un.	Pittsburgh
C07100	Altoona Bethesda Fed. Credit Un.	Altoona
C04400	Altoona Conrail Fed. Credit Un.	Altoona
C08800	Altoona Postal Emp. Credit Un.	Altoona
036000	Ambler Savings & Loan Assn.	Ambler
043000	Amerihart Harrisburg Federal Credit Un.	Philadelphia
C01000	Apex Fed. Credit Un.	Reno
032400	Apollo Trust Co.	Apollo
C08000	Armco Employees Fed. Credit Un.	Beaver
C08000	Auto Workers Fed. Credit Un. 7419	West Mifflin
C08000	AVCO Employees Fed. Credit Un.	Williamsport
032000	Bank of Lancaster County, N.A.	Lancaster
044018	Bell Savings Bank	Upper Darby
C81000	Bellco Emp. Fed. Credit Un.	Greensburg
C08400	Bellco Federal Credit Union	Reading
C08000	Belle Vernon Sch. Emp. Fed. Credit Un.	New Stanton
044700	Bonefeld Savings Bank	Philadelphia
C40000	Blackhawk Fed. Credit Un.	Beaver Falls
042804	BP MH Fed. Credit Un.	Warren
C21000	Bryn Mawr Hosp. Emp. Fed. Credit Un.	Bryn Mawr
036400	Bryn Mawr Trust Co.	Bryn Mawr
C04300	C B Grove City Fed. Credit Un.	Grove City
C08000	C B W Schools Fed. Credit Un.	Warren
C16000	California Ed Fed. Credit Un.	California
F08100	Cambria Cnty. Fed. S & L Assn.	Cresson
007800	CCNB Bank, N.A.	New Cumberland
036800	Central PA Savings Assn.	Shamokin
043100	Century National Bank & Trust	Mercer
004400	Commnwl Nat'l Bank P.A.S.A.	Johnstown
010400	Chambersburg Trust Co.	Chambersburg
043600	Citizens & Northern Bank	Wellsboro
031400	Citizens Bank & Trust Co.	Pottsville
022100	Citizens National Bank	Ashland
041200	Citizens National Bank	Evans City
010800	Citizens National Bank	Greencastle
023100	Citizens National Bank	Meyersdale
010800	Citizens National Bank & Trust	Waynesboro
005900	Citizens Trust Co.	Coudersport
036800	Clearfield Bank & Trust Co.	Clearfield
044000	Commerce Bank	Camp Hill
008700	Community Banks N.A.	N. Cliet
011700	Community State Bank	Orbisonia
006700	County National Bank	Clearfield
024000	County National Bank	Moorhead

SECTION II continued

Code	Lender Name	City
C08800	CTCE Fed. Credit Un.	Bradley
C01800	Dana Pottstown Fed. Credit Un.	Pottstown
C12000	Dana Reading Fed. Credit Un.	Reading
C01000	Delaware Area Fed. Credit Un.	Philadelphia
013500	Dimmick National Bank	Dimmick
036800	Dugard Bank	Dallas
003200	Dollar Savings Assn.	New Castle
036800	Duquesne Home Bank	Duquesne
C04100	Duquesne Works Employees Fed. Credit Un.	
C08800	Eastern Pittsburgh Bell Fed. Credit Un.	Pittsburgh
C08800	Eastern Postal Employees Fed. Credit Un.	
036800	Ephrata Nat'l Bank	Ephrata
036800	Equibank	Pittsburgh
C40700	Erie Co. Retired Emps. Fed. Credit Un.	Erie
C28000	Erie School Emps. Fed. Credit Un.	Erie
034000	Farmers & Merchants Bank	Honesdale
027000	Farmers Bank and Trust Co.	Hanover
036800	Farmers Nat'l Bank	Emlenton
036800	Farmers Nat'l Bank of Newville	Newville
015000	Farmers Trust Co.	Lebanon
C08000	FCPI Employees Fed. Credit Un.	Dunmore
036800	Fidelity Deposit & Discount Bk.	Dunmore
C09100	First Alliance Fed. Credit Un.	Warminster
007400	First Columbia Bank & Trust Co.	Bloomsburg
C08000	First Commonwealth Fed. Credit Un.	Lehigh Valley
F08000	First Federal Emps. & Loan Assn.	Erie
F08000	First Federal Emps. & Loan Assn.	Waynesburg
C41000	First Hamilton Fed. Credit Un.	Williamson
F08400	First Keystone Federal Emps. and Loan Assn.	
010800	First National Bank	Mifflin
003400	First National Bank	Clark
006300	First National Bank	Fairmont
035700	First National Bank	Gallitzin
011200	First National Bank	McConnellsburg
003100	First Nat'l Bank & Trust Co.	Weatherport
033600	First Nat'l Bank of Berwick	Berwick
035800	First Nat'l Bank of Centre Hall	Centre Hall
033000	First Nat'l Bank of Everett	Everett
040400	First Nat'l Bank of Fredericksburg	Fredericksburg
010800	First Nat'l Bank of Greencastle	Greencastle
035200	First Nat'l Bank of Liverpool	Liverpool
007900	First Nat'l Bank of Lilly	Lilly
005800	First Nat'l Bank of Mercersburg	Mercersburg
012700	First National Bank, Mifflintown	Mifflintown
040100	First Nat'l Bank of Minersville	Minersville
007200	First Nat'l Bank of Nicholson	Nicholson
005400	First National Bank of Palmerton	Palmerton
010100	First Nat'l Bank of Port Allegany	Port Allegany
001300	First Nat'l Bank of Saxton	Saxton
010400	First Nat'l Bank of Shickshinny	Shickshinny
014400	First National Bank of Western Pa.	New Castle
000100	First Nat'l Trust Bank	Sunbury
036000	First PA Savings Assn.	Pittsburgh
043700	First Peoples Nat'l Bank	Kingston
C40000	Frankford Quaker Grocery Fed. Credit Un.	Philadelphia
001300	Frankford Trust Co.	Philadelphia
011300	Fulton County National Bank	McConnellsburg
003200	Gallitzin T & L Assn.	Gallitzin
028500	Gettysburg National Bank	Gettysburg
043800	Glen Rock State Bank	Glen Rock
042400	Grange Nat'l Bank Susq. Co.	New Milford
042700	Grange Nat'l Bk. Wyo. Co.	Laceyville
036800	Gratz Nat'l Bank	Gratz
C02200	Greater Greensburg Ind. Fed. Credit Un.	S. Greensburg
036000	Guaranty Bank, N.A.	Shamokin
018500	Hamlin Bk. & Tr. Co.	Smethport
019000	Hanesville Nat'l Bank	Hanesville
002300	Harborcreek Svgs. Assn.	Harborcreek
C05000	Harrisburg Post. Emp. Credit Un.	Harrisburg
C06200	Health and Human Services Fed. Credit Un.	Philadelphia
C05000	Height St. Joseph Fed. Credit Un.	Bethlehem
C63000	Hellam Valley Fed. Credit Un.	York
040000	Hamilton Nat'l Bank	Hamilton
001000	Hatboro Nat'l Bank	Hatboro
031000	Hatfield Nat'l Bank	Hatfield
037200	Hollidaysburg Trust Co.	Hollidaysburg
005400	Honesdale Nat'l Bank	Honesdale
050000	Howard Savings Bank	Livingston, NJ
043607	IBA Federal Credit Union	Philadelphia
C08000	Ingersoll Rand Fed. Credit Un.	Athens
C10000	Ingersoll Rand Mining Mach. Fed. Credit Un.	Charleroi
C06700	ITE Credit Union	Southampton
017700	Jamesy Shore State Bank	Jersey Shore
C28000	Johnstown PA Post Office Emp. Fed. Credit Un.	Johnstown
015200	Johnstown Bank and Trust Company	Johnstown
C17000	JSTC Employees Fed. Credit Un.	Johnstown



59. You Normally Live With . . .
Carefully read each selection and enter in the block the code number of the selection which best identifies the person(s) with whom you normally live while not attending school.

CODE	HOUSEHOLD	DEFINITION
1....	Father and Mother	Live with both natural parents (regardless of the parents' marital status), with parents through legal adoption or with one natural parent and a stepparent who has legally adopted the student
2....	Mother Only	Live with mother only
3....	Father Only	Live with father only
4....	Mother/Stepfather OR	Live with one natural parent and one stepparent who has NOT legally adopted you
5....	Father/Stepmother	
6....	Guardian Only (For example, grandparent, uncle, etc.)	If you entered code 6 in the block, attach a signed statement explaining the reason you are not living with the natural parents. The statement is not needed if: (1) both parents are deceased, (2) you are a veteran, or (3) you graduated from high school in 1985 or earlier.
7....	Spouse	Live with husband or wife
8....	Other	If you entered code 8 in the block, a complete explanation of the situation must be attached. The statement is not needed if: (1) both parents are deceased, (2) you are a veteran, or (3) you graduated from high school in 1985 or earlier.

60. Criminal Conviction
Check "Yes" on the application only if you are currently incarcerated (or will be during the 1991-92 academic year).

61. Veteran Status
Check "Yes" if you served on active duty with the U.S. Armed Services for more than 180 days (excluding any period of time served in an enlistment in the National Guard or as a reservist, any period served as a cadet or midshipmen at one of the service academies or any period of time recorded as absent without leave, desertion, or confinement) and were released or discharged from active duty under other than dishonorable conditions.
If you served in the U.S. Armed Services but answered "No" to 61, attach a complete copy (all pages) of your Separation Certificate, DD Form 214, if your discharge was due to a service related disability and a copy has not been submitted to the Agency in a prior academic year.

62. Status of Parents, Student and Spouse
If you are a full-time student and are not employed, place code 8 (Unemployed) in the block labeled **student**.
If you are presently married, your spouse's current status should be indicated in the appropriate block.
If stepparent's information is required on this application (see Important Instructions for Sections C, D, E, F, G and I, pages 8 & 9), the status of the parent and stepparent should be indicated in the appropriate block.

STATUS	CODE
Farmer	1
Homemaker	2
Self-Employed	3
Employed by Another	4
Deceased	5
Disabled (permanent and total)	6
Retired (and not employed full-time)	7
Unemployed	8
Whereabouts unknown	9

IF BOTH PARENTS ARE CODED "5", review the instructions to item 59 and complete if appropriate.

IF BOTH PARENTS ARE CODED "9", attach a statement including the parents' last known address, the last date of contact, and amount of financial support received from parents. Also have an adult (high school counselor, minister, etc.) familiar with your circumstances provide a statement. A statement is not required if you are a veteran or graduated from high school in 1985 or earlier.

63a. High School Information
Check "Yes" if any of the following is true:

- You are now a high school senior and expect to graduate at the end of the school year.
- You graduated from a high school in the U.S. or a high school located on a U.S. military base overseas.
- You received a Commonwealth secondary school diploma or other state secondary school diploma through the General Educational Development (GED) Test Program.

If none of the above is true, check "No". Also check "No" if you have:

- a foreign high school diploma or a military GED but not a Commonwealth or other state secondary school diploma.
- received (or will receive) a diploma from a correspondence school as a result of home study.

If you answered "No" and have a foreign diploma, a military GED, or a diploma issued by a correspondence school, attach a statement identifying which of these you possess.

63b. Year of Graduation
If you are now a high school senior and expect to graduate at the end of this school year, enter "91".
If you graduated from high school, enter the year you graduated.
If you withdrew from high school and later received a GED, enter the year you would normally have graduated from high school had you not withdrawn.

63c. Name and Address of High School
Provide the name, city and state of the high school from which you graduated or will graduate. If you received a GED, write "GED" in place of the high school name.

64a. Pennsylvania Domicile (residency)
DOMICILE is a person's true, fixed, and permanent home, the place in which the person normally resides and intends to return whenever absent.
IF YOU ARE UNDER 18 YEARS OF AGE you should check "Yes" if you have a parent or guardian (defined as a person with whom a minor child has lived and been in the continuous direct care and control of for at least two (2) consecutive years) who has been a bona fide domiciliary of Pennsylvania for at least twelve (12) months immediately preceding the date of application.
IF YOU ARE 18 YEARS OF AGE OR OLDER you should check "Yes" if: (1) you have been a bona fide domiciliary of Pennsylvania for a period of at least twelve (12) months immediately preceding the date of application, exclusive of any period of time you spent while enrolled in an educational institution if you came into or remained in Pennsylvania for the purpose of attending a school or college, AND (2) you have not registered to vote in a state other than Pennsylvania.
If you are 18 years of age or older at the time of application (or the parents or guardian of a student who is under 18 years of age), and give up domicile in Pennsylvania after filing the application and prior to the opening day of classes for the 1991-92 academic year, this must be reported to PHEAA in writing since you are no longer considered a bona fide domiciliary of Pennsylvania.

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94b. Date Pennsylvania Domicile Was Established
If you were born in Pennsylvania and have always resided in Pennsylvania, enter the month and year of your birth; otherwise enter the date you began residing and established your domicile in Pennsylvania.

95a-b. Parents' Social Security Numbers
Enter the social security number for each parent whose data has been supplied on the application.

96. Parents' 1991 Income Reduction
If one of your parents died or became permanently and totally disabled on or after January 1, 1988, you should enter either a 1 or 2 in this item and enter the month and year of the death or disability. In all other cases, this item should only be completed if all of the following are true: (1) the total expected 1991 taxed and untaxed income will be less than the total 1990 taxed and untaxed income; (2) the reason for the reduction occurred on or *after January 1, 1988, and before the completion of this application;* AND (3) the reduction in income is due to one of the reasons listed below. If a reduction in 1991 income is not expected or all three conditions can't be met, disregard this item.

Read each selection below and enter in item 96 the code number which best describes the reason for reduction in parental income and the MONTH AND YEAR OF OCCURRENCE.

If the applicant is independent and the parents of the applicant are recently deceased in accordance with the above date, the applicant should also complete this item.

If retirement or disability is not permanent, use codes 4 or 5, not codes 2 or 3.

Code 1 — Death of a parent.
Code 2 — Permanent and total disability of a parent.
Code 3 — Permanent retirement of a parent (not employed full-time).
Code 4 — Continued unemployment or change in employment status of the mother.
Code 5 — Continued unemployment or change in employment status of the father.
Code 6 — Reduction in untaxed income.

97. Expected 1991 taxed and untaxed income and benefits
Write in the total amount of taxed and untaxed income and benefits that your parents expect to receive in 1991. Include the types of income that we asked for in questions 24, 28a, 28b, 28c, and 28d. If you skipped questions 23 through 25, include the types of income that we asked for in questions 26a, 27a, 28a, 28b, 28c, and 28d.

98. Spouse's Social Security Number
If you are married, enter the social security number of your wife or husband.

99. Your and Your Spouse's (if married) 1991 Income Reduction (for Independent students only)
If your spouse died or you or your spouse became totally and permanently disabled on or *after* January 1, 1988, you should enter either a 1 or 2 in this item and enter the month and year of the death or disability. In all other cases, this item should only be completed if all of the following are true: (1) the total expected 1991 taxed and untaxed income will be less than the total 1990 taxed and untaxed income; (2) the reason for the reduction in income occurred or will occur on or *after* January 1, 1988 AND (3) the reduction in income is due to one of the reasons listed below. If a reduction in 1991 income is not expected or all three conditions can't be met, do not complete this item.

Read each selection below and enter in item 99 the code number which best describes the reason for reduction in the 1991 income for you and your spouse (if married) and the MONTH AND YEAR OF OCCURRENCE.

If retirement or disability is not permanent, use codes 4 or 5, not codes 2 or 3.

Code 1 — Death of the applicant's spouse.
Code 2 — Permanent and total disability of the applicant or the applicant's spouse.
Code 3 — Permanent retirement of the applicant or the applicant's spouse (not employed full-time).
Code 4 — Continued unemployment or change in employment status of the spouse.
Code 5 — Continued unemployment or expected change in employment status of the applicant due to enrollment in a postsecondary institution.
Code 6 — Reduction in untaxed income.

76. Expected 1991 taxed and untaxed income and benefits
Write in the total amount of taxed and untaxed income and benefits that you and your spouse expect to receive in 1991. Include the types of income that we asked for in questions 24, 28a, 28b, 28c, and 28d. If you skipped questions 23 through 25, include the types of income that we asked for in questions 26b, 27b, 28a, 28b, 28c, and 28d.

SPECIAL INSTRUCTIONS/DEFINITIONS

Dislocated Worker - To be considered a dislocated worker, you must be currently certified as one by a State agency such as your local Employment Service or Job Service. This certification is done in accordance with Title III of the Job Training Partnership Act. A dislocated worker generally means a person who:

- has been terminated or laid-off or has received a notice of termination or lay-off,
- has been terminated or received a notice of termination as a result of permanent closure of a plant or other facility, or
- was self-employed (including farmers) but is now unemployed because of poor economic conditions in the community or a natural disaster.

Foreign Tax Return - If you and your spouse, or your parents, won't be filing a U.S. income tax return in 1990 (for example, Puerto Rican tax filers), follow the instructions below:

- in question 22, check the box "completed 1990 IRS Form 1040" (if a foreign tax return has been filed), or "estimated 1990 IRS Form 1040" (if a foreign tax return will be filed),
- use the information from that tax return to fill out this form,
- convert all figures to U.S. dollars, using the exchange rate that is in effect today, and
- fill out the Supplemental Information (Sections F-I)

Legal Guardian - A legal guardian is a person whom a court has:

- appointed to be your legal guardian and this legal relationship will continue after June 30, 1992, and
- directed to support you with his or her own financial resources.

Native American - If you are a Native American, report the amount of income and assets over $2,000 per individual payment that you and your spouse or your parents received in 1990 from the Per Capita Act or the Distribution of Judgment Funds Act. If $2,000 or less per individual payment was received from either of these Acts, don't report it. Don't report funds received as an award under the Alaska Native Claims Settlement Act or the Maine Indian Claims Settlement Act. Also, don't include any assets received from the Alaska Native Claims Settlement Act.

Additional Information On The Federal Student Financial Aid Programs

Do all schools take part in the Federal Student Financial Aid Programs?

No. More than 8,800 schools do take part in one or more of them. Contact your school's financial aid administrator to find out which Federal programs your school participates in.

Where can I get more information on Federal student financial aid?

This booklet gives you only a brief summary of the student financial aid programs offered by the U.S. Department of Education. Each student financial aid program has its own special features and procedures. You can get more information from the booklet: **The Student Guide: Financial Aid from the U.S. Department of Education-Grants, Loans, and Work-Study 1991-92.** To get a free copy, write to Federal Student Aid Information Center, P.O. Box 84, Washington, DC 20044.

What happens after I mail in this form?

1. To get Federal Student Financial aid and/or State Grant aid, you must fill out this form on or after January 1, 1991, and send it to the Pennsylvania Higher Education Assistance Agency (PHEAA). PHEAA will then use certain information from the form to determine your State Grant eligibility. The information needed to determine your eligibility for Federal programs will be sent to the U.S. Department of Education. If your school uses this application for college-level assistance, information will also be sent to your school. Applications received before January 1, 1991 will not be considered.

2. Within four to six weeks after you mail in your form PHEAA, under contract to the U.S. Department of Education, will send you a **Student Aid Report** (SAR). On the SAR will be either a request for further information or numbers called a **Pell Grant Index** (PGI) and a **Family Contribution** (FC). The U.S. Department of Education uses formulas established by law to figure these numbers from the information you give. Your school or the U.S. Department of Education may ask you to prove that the information you give on your application is true.

What is my Pell Grant Index (PGI)?

The PGI is a number that tells whether you may be able to get a Pell Grant. If you are eligible for a Pell Grant, your school will use this number to determine the amount of your award. Even if you don't qualify for a Pell Grant, you may still qualify for one or more of the other Federal programs. Be sure to ask your financial aid administrator if your school needs any additional information from you for these other programs.

What is my Family Contribution (FC)?

The FC is a number that helps your financial aid administrator determine if you are able to get one of the several available forms of assistance. These include Stafford Loan, SEOG, CWS, and Perkins Loan. Your school will use this number to determine the amount of your grant, loan or work-study award.

What happens if I don't get a SAR or I need another copy of my SAR?

If you don't get a SAR within four to six weeks, or you need another copy of your SAR, write to Federal Student Aid Programs (c/o PHEAA), P.O. Box 8135, Harrisburg, Pennsylvania 17105.

Give your name, address, social security number, and date of birth. Be sure to ask for another copy of your **1991-92 SAR.** If your address has changed since you sent in your application, be sure to give us both your old and your new address. Be sure to sign your letter.

Worksheet #1	For question 34 Parents	For question 34 Student/Spouse
Wages, salaries, tips, etc.	$ .00	$ .00
Interest income	+ .00	+ .00
Dividends	+ .00	+ .00
Other taxable income (alimony received, business and farm income, capital gains, pensions, annuities, rents, unemployment compensation, social security, Railroad Retirement, and all other taxable income-see the tables on pages 9 and 10 and the instructions for question 34)	+ .00	+ .00
Add all of the numbers in the column	= .00	= .00
Subtract IRS-allowable adjustments to income (payments to IRA and Keogh Plans, interest penalty on early withdrawal of savings, and alimony paid)	— .00	— .00
TOTAL - This is your answer for question: 604	$ .00	$ .00

Worksheet #2	For question 35d Parents	For question 35d Student/Spouse
Amounts from IRS tax forms		
Deductible IRA and/or Keogh payments from Form 1040-total of lines 24a, 24b, and 27 or 1040A-line 15c	$ .00	$ .00
Earned income credit from Form 1040-line 57 or 1040A-line 28c	+ .00	+ .00
Untaxed portions of pensions from Form 1040-line 16a minus 16b and 17a minus 17b or 1040A-line 10a minus 10b and 11a minus 11b (excluding "rollovers")	+ .00	+ .00
Credit for Federal tax on special fuels from Form 1040-line 60	+ .00	+ .00
Foreign income exclusion from Form 2555-line 39	+ .00	+ .00
Tax exempt interest income from Form 1040-line 8b or 1040A-line 8b	+ .00	+ .00
Other Untaxed Income and Benefits		
Payments to tax-deferred pension and savings plan (paid directly or withheld from earnings). Include untaxed portions of 401(k) and 403(b) plans.	+ .00	+ .00
Welfare benefits (except AFDC or ADC, which you should have reported in 39b)	+ .00	+ .00
Worker's Compensation	+ .00	+ .00
Veterans noneducational benefits such as Death Pension, Dependency & Indemnity Compensation (DIC), etc.	+ .00	+ .00
Housing, food, and other living allowances (excluding rent subsidies for low-income housing) paid to members of the military, clergy, and others (including cash payments and cash value of benefits)	+ .00	+ .00
Cash support or any money paid on your behalf (including support from a non-custodial parent)	XXXXXXXXX	+ .00
Any other untaxed income and benefits, such as Black Lung Benefits, Refugee Assistance, untaxed portions of Railroad Retirement Benefits, or Job Training Partnership Act noneducational benefits	+ .00	+ .00
TOTAL - This is your answer for question: 605d	$ .00	$ .00

Don't Include:

- Social security
- Any income reported elsewhere on the form
- Money from student financial aid
- Food stamps
- Gifts and support, other than money, received from friends or relatives
- Veterans educational benefits (GI Bill, Dependents Educational Assistance Program, VA Vocational Rehabilitation Program, VA Contributory Benefits, etc.)
- "Rollover" pensions

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What if my situation changes?

Reporting changes to the U.S. Department of Education

- Questions 11, 15, 18, 19, 20 and 21 ask you to make projections for the upcoming year. If your answers to these questions change, wait until you receive your SAR and then see your financial aid administrator.
- The income and expenses information that you give must be accurate. They must match what is or will be on your 1990 income tax forms. If your financial situation has recently changed, contact your financial aid administrator.

Information on the Privacy Act and use of your social security number

The Privacy Act of 1974 requires that each Federal, state or local agency that asks for your social security number or other information must tell you the following:

1. Its legal right to ask for the information and whether the law says you must give it.
2. What purpose the agency has in asking for it and how it will be used.
3. What could happen if you do not give it.

We need your social security number to be sure we know who you are, to process your application, and to keep track of your record. We also use your social security number in the Pell Grant Program and State Grant Program in recording information about your college attendance and progress, and in making sure that you have received your money. If you do not give us your social security number, you will not receive aid under the State Grant Program.

Application for Federal Student Aid

You must give your social security number (SSN) to apply for Federal student financial aid. The U.S. Department of Education's legal right under the Title IV programs to require that you provide us with your social security number is based on Sections 484(a)(4) of the Higher Education Act of 1965, as amended. The SSN is used under the Pell Grant, Supplemental Educational Opportunity Grant, and College Work-Study programs in recording information about your college attendance and progress, and in making sure that you have received your money. The SSN is also used under the Stafford Loan and Perkins Loan programs to identify the applicant to determine program eligibility and benefits and to permit servicing and collecting of the loans.

If you are applying for Federal student aid only, you must fill in everything except questions 29, 30, 31, 32 and Sections J, K and L. If you skip questions 30 and 31, we will count your answer as "No" for those questions. If you are applying for a Pell Grant only you can skip questions 5, 37 and 44.

The U.S. Department of Education's authority to request all other information (except the SSN) is based on sections 411A, 411B, 411C, 411D, 411F, 474, 475, 476, 477, 479, and 480 of the Higher Education Act of 1965, as amended. This information is used to determine the amount of Federal student aid for which you may be qualified.

The information which you supplied may be disclosed to third parties that the U.S. Department of Education has authorized to assist in administering Federal student aid programs. This disclosure may include private firms that the Department contracts with for the purpose of collating, analyzing, totalling or refining records in the system and who are required to maintain safeguards under the Privacy Act. This may also be accomplished through computer matching programs such as the ones currently conducted with the Selective Service System and the Immigration and Naturalization Service.

The U.S. Department of Education will provide your name, address, social security number, date of birth, student aid indices, student status, year in college, and State of legal residence to the college(s) that you list in question 29a, 29b and 29c (or its representative), even if you check "No" in question 30b. This information will also go to the State agencies in your State of legal residence to help coordinate State financial aid programs with Federal student aid programs. We will provide calculations and determination of eligibility to the agency with which you filed a student aid application, or another similar agency, if you request us to do so. That agency may also release information received from the U.S. Department of Education to colleges, State Scholarship agencies, and loan guarantee agencies that you have designated to receive information. Also, the U.S. Department of Education may send information to members of Congress if you ask them to help you with Federal student aid questions. If your parents or your spouse provided information on the form they may also request to see all the information on the application. If the Federal government, the U.S. Department of Education or an employee of the Department is involved in litigation, the U.S. Department of Education may send information to the Department of Justice, or a court or adjudicative body, if the disclosure is related to financial aid and certain other conditions are met. The information may also be made available to Federal agencies which have the authority to subpoena other Federal agencies' records. In addition, we may send your information to a foreign, Federal, State, or local enforcement agency if the information that you submitted indicates a violation or potential violation of law, which that agency has jurisdiction for investigation or prosecution. Finally, we may send information regarding a claim which is determined to be valid and overdue to a consumer reporting agency. This information includes identifiers from the record, the amount, status and history of the claim and the program under which the claims arose.

State Grant Applicants

Pennsylvania Higher Education Grant applicants are hereby advised that disclosure of their social security number is and has been a requirement and a condition for participation in the Higher Education Grant Program since its inception. The Agency, without such an identifier, would have difficulty in maintaining proper program records. Section 7(a) (2) of the Privacy Act provides that an agency may continue to require the disclosure of an individual's social security account number where the agency required this disclosure under statute or regulations prior to January 1, 1975, in order to verify the identity of the individual. Beginning in 1986 with Form S-1A-86 (First Application), applicants have been required to answer all questions completely or face disqualification for grant assistance. All subsequent forms utilized by PHEAA contain the social security account number as the identifier of the applicant, including award announcements forwarded to the student and the financial aid officer of the postsecondary institution.

The Board of Directors of PHEAA on February 27, 1989, adopted regulations including Article IV-Scholarship Program Requirements and Procedures, Section 4.4, dealing with processing of applications, which provide that all requested data must be received for scholarship consideration.

In addition, based upon the same legal authority, PHEAA also requires the parents' and spouse's social security numbers on the grant application. The parents' social security account numbers will be used by PHEAA to obtain from the Pennsylvania State Income Tax Bureau information concerning the family's income. The information is necessary in order to evaluate the applicant's need for State Higher Education Grant funds. The applicant and his/her parents and spouse authorize PHEAA to receive such data from the District Director of Internal Revenue and/or the Director of the Pennsylvania State Income Tax Bureau by signing the State Higher Education Grant Application.

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STATEMENT OF CERTIFICATION AND AUTHORIZATION

By signing the application, I/we authorize PHEAA to make public announcement of any State Grant or rejection for State Grant made to the applicant, to forward to the postsecondary institution(s) which the applicant listed or subsequently indicates that the applicant may attend and to others administering financial aid which may bear on eligibility under it a application, all information on the application and all information subsequently submitted to or acquired by the Agency. I/we authorize and direct the director of the Pennsylvania State Income Tax Bureau to submit to PHEAA a certified copy or extract of my/our Pennsylvania state income tax return(s) filed for the year(s) designated by PHEAA. I/we also agree to submit, or authorize PHEAA to obtain from the district director of the Internal Revenue Service, a certified copy or extract of my/our federal income tax return(s) for the year(s) designated by PHEAA and that failure to provide such copies or authorization, when requested to do so by PHEAA, may result in ineligibility for State Grant aid and the requirement to refund to PHEAA previously awarded State Grants. I/we also authorize and direct other federal, state and local government agencies to release to PHEAA information in their possession which may bear on my/our eligibility under the application. I/we understand that all documents submitted to PHEAA become the property of PHEAA and cannot be returned.

I/we declare under penalty of the criminal laws of the Commonwealth of Pennsylvania that the application as well as any information that I/we subsequently submit pursuant to this application, has been examined by me/us and to the best of my/our knowledge such information is true, correct and complete. I/we understand that the penalty for submission of fraudulent information on this application or for the subsequent submission of fraudulent information in any manner pursuant to this application may be repayment of triple any amount of money received plus a fine and/or imprisonment.

I, the applicant, authorize and direct the educational institution at which I am enrolled to release to PHEAA any records or other information in the possession of the institution or any of its officers or agents which relate to my record at their institution or bear upon my eligibility for State Grant assistance. If a State Grant is awarded, I certify that it will be used only for tuition, fees, books, room or board.

Sending the Form to PHEAA

Double-check your form to make sure it is complete and accurate. Be sure it has the necessary signatures. You may wish to retain a copy of the form for future reference.

Put the form in the envelope that comes with this booklet. Don't send any money. Don't put letters (unless specifically requested in the instructions), tax forms, worksheets, or any extra materials in the envelope, this would only slow down the processing of your application. Be sure you place the necessary postage on the envelope.

Mail your form to: PHEAA
P.O. Box 8111
Harrisburg, Pennsylvania 17105-8111

Keep this booklet handy. You will need it when you get your Student Aid Report or information concerning your State Grant eligibility.

THE PENNSYLVANIA HIGHER EDUCATION
ASSISTANCE AGENCY
STATE GRANT/FEDERAL AID APPLICATION
P.O. BOX 8111
HARRISBURG, PENNSYLVANIA 17105-8111

ACT

The 1991-92 Family Financial Statement (FFS) Instructions and Code List

NOTE: Do not sign the FFS before January 1, 1991.

NOTICE

You can use the ACT Family Financial Statement (FFS) to apply for financial aid from the Federal student aid programs. Part 1 of the FFS collects the Department of Education's Federal aid questions. There is no fee required to be considered for financial aid assistance from the following Federal student financial aid programs: Pell Grants, Supplemental Educational Opportunity Grants (SEOG), College Work-Study (CWS), Perkins Loans, or Stafford Loans.

Some colleges, state agencies, and scholarship programs that use ACT reporting services will also require additional information which ACT provides directly to them. This information is used to determine eligibility for non-Federal aid. Part 2 of the FFS collects this information. If your college/agency requires this information, you must pay a fee. These fees are outlined on page 8 of your FFS. Check with the financial aid officer at the college(s) you plan to attend to determine if they require that ACT send reports directly to them. ACT reports include information you completed in Part 2 of the FFS as well as all of the information you completed in Part 1.

Students should also contact the college(s) of their choice to determine if they have additional application requirements.

Warning:

You must fill out this form accurately. ***The information which you supply can be checked*** by your college or by the U.S. Department of Education.

You may be asked to provide U.S. income tax returns, the worksheets in this booklet, and/or other information. If you can't or don't provide these records, you may not get Federal aid. If you get Federal student aid based on incorrect information, you will have to pay it back, you may also have to pay fines and fees. If you purposely **give false or misleading information** on your application form, you may be fined $10,000, receive a prison sentence, or both.

Be sure to read "Information on the Privacy Act and Use of Your Social Security Number" on page 13.

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General Information

What Is The Family Financial Statement (FFS)?

The Family Financial Statement (FFS) is a form that you can use to apply for money from the Federal government, state agencies, colleges, and programs to help pay the cost of going to college. (We use the word "college" to mean a college or university, a graduate or professional school, a vocational or technical school, or any other school beyond the high school level.)

By using this FFS, you may apply for money for the 1991-92 school year (July 1, 1991 through June 30, 1992). If you are applying for aid for a different time period, contact your financial aid administrator to obtain the appropriate FFS.

What Is The Deadline For Filing The FFS?

At the very latest, your FFS must be received at ACT by May 1, 1992. However, you should apply as early as possible. Colleges and agencies often have earlier deadlines and/or may run out of money before all students apply.

Do I Have To Send A Fee With My FFS?

No Fee is Required— If you are only applying for Federal student aid, there is no charge for processing the Federal Information Sections (A - L) of your FFS. Colleges you list in question 50 can obtain this information directly from the U.S. Department of Education. No ACT reports will be sent directly to these colleges; however, you will receive a Student Aid Report (SAR).

A Fee is Required— A fee is required to process Part 2 (pages 7 and 8) of the FFS and send an ACT report. This information is used by some colleges and state agencies in the awarding of state, institutional, and private student aid. ACT will report all data included on the FFS (both Parts 1 and 2) to the colleges and/or agencies you request in question 111.

Can I See the Results of My ACT Analysis?

Yes— You can request your own copy of the ACT report called a Comprehensive Financial Aid Report (CFAR), which includes much of the same information we send to colleges. The CFAR includes all of the information you submitted to ACT on your FFS. It clearly outlines the calculations which colleges use to determine your eligibility for financial aid, and provides a clear and concise record of the information from both Parts 1 and 2 of your FFS. In addition, ACT will send you a "Student CFAR Informational Brochure" which fully explains all of the information on your CFAR, explains how need analysis calculations are made, outlines how colleges use the CFAR information to determine your aid eligibility, and provides a description of the financial aid process.

To request your own CFAR, you must mark the "Yes" oval on page 9, Section P, question 118 and enclose the required fee as outlined in Section Q.

What Happens After I Mail The FFS?

If you answered "Yes" to question 49a on the FFS, ACT, under contract with the U.S. Department of Education, will send you a Student Aid Report (SAR). (See page 13, "Additional Information on the Federal Student Financial Aid Programs," for more information about the SAR.) Included with each SAR will be an "ACT Report Request" form which can be used at a later date to request that ACT reports be sent directly to colleges or agencies, or to request your own personal ACT report.

An ACT Comprehensive Financial Aid Report (CFAR) will be sent to each of the colleges and agencies you requested on page 8, question 117 of the FFS and for which you have enclosed the correct fee. This report provides colleges with information used in determining your eligibility for financial aid.

Sending the FFS to ACT

When you have completed your form make sure that:

- Your address is complete and accurate (Section A).
- You and your parents have signed the FFS. (See instructions for Section G, question 51 for needed signatures.)
- The ovals blackened match the written ACT code number in questions 50 and 117.
- You print your name in Section R on page 8 of the FFS.
- Any erasures or extra marks on your FFS have been handled following the special instructions on page 3.
- You do not include any tax forms or other materials when you mail your FFS to ACT. This material will be destroyed.
- Your letters, tax forms, etc. are mailed directly to the college(s) to which you are applying.
- If you request any reports in Section P, enclose your fee and check (✓) the appropriate box on the back of the envelope.
- You have rechecked your form and it is accurate.

Mail your FFS by regular first class mail using the envelope provided. (Special handling such as registered, certified, or express mail will delay processing of your form.)

What Kinds Of Aid Can I Get?

Using the FFS, you can apply for the Federal student aid programs which are briefly described in the section titled "Additional Information On The Federal Student Financial Aid Programs" on page 13. You can use the FFS as the first step in applying for a Pell Grant and other Federal student aid programs. To do so, answer "Yes" to question 49a on the FFS.

You can also apply for scholarships and grants from state agencies. See page 24 for a listing of state student financial aid agencies.

You can also apply for scholarships, grants, loans, and work-study jobs from colleges and agencies.

The colleges and agencies that use the FFS are named in the ACT Financial Aid Code Listing on pages 14 through 24 of this booklet. Check with the colleges/agencies where you are applying to see if they require additional forms.

Who Can Get Aid From These Federal Student Financial Aid Programs?

Eligibility Requirements	Pell Grants	Stafford Loans	Supplemental Educational Opportunity Grants (SEOG)	College-Work Study (CWS)	Perkins Loans
Undergraduate	Yes	Yes	Yes	Yes	Yes
Graduate	No	Yes	No	Yes	Yes
At least half-time	Yes	Yes	Yes*	Yes*	Yes*
Must pay back	No	Yes	No	No	Yes
Must be a U.S. citizen or eligible noncitizen	Yes	Yes	Yes	Yes	Yes
Must be registered with the Selective Service (if required)	Yes	Yes	Yes	Yes	Yes
Must have financial need	Yes	Yes	Yes	Yes	Yes
Must attend a participating school	Yes	Yes	Yes	Yes	Yes
Must be working toward a degree or certificate	Yes	Yes**	Yes	Yes	Yes
Must be making satisfactory academic progress	Yes	Yes	Yes	Yes	Yes
Must not be in default or owe a refund on a Federal grant or educational loan	Yes	Yes	Yes	Yes	Yes
Having a Bachelor's degree makes applicant ineligible	Yes	No	Yes	No	No
Conviction of drug distribution or possession may make student ineligible	Yes	Yes	Yes	Yes	Yes

* In some cases, students going to school less than half-time may be eligible. Check with your financial aid administrator.

** In some cases, students don't have to be in a degree or certificate program. Check with your financial aid administrator.

What If I Have Questions?

It is worth the time it will take to read the instructions as you fill out the FFS. Most mistakes result from not reading the instructions. The information in this booklet will usually answer questions that you have. If you need more help, contact the guidance counselor at your high school or the financial aid administrator at the college you plan to attend.

Confidentiality Of FFS Information

All of the information on the FFS is handled in a confidential manner. Only ACT authorized personnel and the personnel of the colleges and/or agencies designated by the applicant on the FFS, who are involved in awarding financial aid, can see or have access to the FFS information. See page 13 for information on the Privacy Act.

Instructions

Read the instructions as you fill out this form. Mistakes will delay the processing of your application.

Some instructions appear on the form itself. Since some questions are self explanatory, no additional instructions are provided. Where additional information is necessary, you will find it in this instruction booklet.

The instructions for this form will usually answer questions that you have. If you need more help, contact your high school guidance counselor or your college financial aid administrator.

Although other people (besides the student who is applying for aid) may help fill out this form, it is about the student. On this form, the words "you" and "your" always mean the student. The word "college" means a college, university, graduate or professional school, vocational or technical school, or any other school beyond high school.

"Student financial aid" means money from educational loans, grants, and scholarships. It also means earnings from the College Work-Study Program or other earnings you received based on your financial aid administrator's determination of your financial need.

Records You Will Need

Get together these records for yourself and your family:

- 1990 U.S. income tax return (IRS Form 1040, 1040A, or 1040EZ).
- 1990 state and local income tax returns.
- W-2 forms and other records of money earned in 1990.
- Records of untaxed income, such as welfare, social security, AFDC or ADC, or veterans benefits.
- Current bank statements.
- Current mortgage information.
- Records of medical or dental bills that were paid in 1990.
- Business and farm records.
- Records of stocks, bonds, and other investments.

Keep these records!

Won't file a tax return. Even if you and your spouse or your parents file no income tax return for 1990, you will need to know earnings for the year. You may also need records showing the amount of other income you are to report on your application.

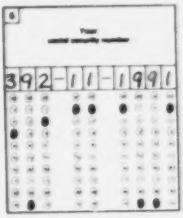
Tax return not completed yet. If you, your spouse, and/or your parents haven't completed a 1990 U.S. income tax return but will be filing one, **we recommend that you complete your return before filling out this application.** Knowing what will be on your tax return will help you to fill out this application accurately. When your application is compared with the official 1990 IRS Form 1040, 1040A, or 1040EZ that is filed for you and your family, the financial information must agree. If there are any errors, you will have to correct the information and send it back to ACT. If this happens, it will take longer to determine whether you are eligible for Federal student aid. It could mean a delay in getting your student financial aid.

If you, your spouse, and/or your parents filed (or will file) a **"Foreign Tax Return"** or are a **"Native American,"** see page 13.

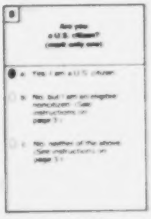
Special Instructions For Filling Out Your FFS

Your FFS will be processed by a scanning machine which reads the ovals that you blacken. You must be sure to prepare your FFS carefully because the scanner will be accurate only if you are. Errors will lead to delays in your receiving Federal student aid and student financial aid from non-Federal sources. After your FFS is processed, an additional fee will be required to send corrected ACT reports to the colleges you requested. The following examples will help you fill out the FFS correctly.

To prevent errors and delays:
- Use a soft (No. 2) lead pencil; do not use ink, ball-point pen, or magic marker. The scanner reads pencil only.
- Blacken all ovals completely and neatly. Check marks or Xs may be missed by the scanner.
- If you must erase an oval, be sure to erase it completely and blacken the correct oval in the column. Blacken the zero (0) oval if you do not replace the erasure with another answer. An erasure that is not replaced can be read by the scanner as your answer.

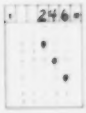


- If a question has boxes and columns of ovals, print your answer in the boxes and blacken the corresponding ovals. Do not leave the ovals blank. The scanner reads what is marked in the ovals.

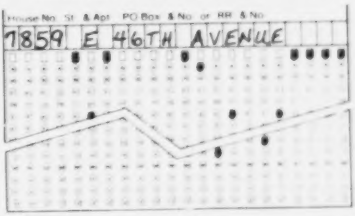


- If a question has several answers, blacken the oval beside the correct answer. If you need to erase an oval, be sure to blacken the correct response since erasures can be read by the scanner.
- Double-check each question to make sure that you have marked the correct ovals.
- Do not cross out questions since ones drawn through ovals can be read as your answer. If the instructions say to skip a question, leave it blank.
- Do not write any notes on the FFS. If you want to explain your answer, contact your financial aid administrator directly.

- Round off all figures to the nearest dollar; don't fill in the cents amount. For example, a figure of $246.35 would be rounded off to $246. If you fill in the cents amount, the scanner will read your answer as $24,635.



- In questions 2 and 3 (street address and city), leave a box blank between the parts of your address and blacken the rectangle below each blank box. Do not extend any part of your address beyond its designated area. Instead, use the street address abbreviations listed below in the left hand column. **(Do not write or blacken any ovals in the ACT USE ONLY area on page 1.)**



Abbreviations for Street Address

Apartment	APT	Heights	HTS	Park	PK
Avenue	AVE	Highway	HWY	Road	RD
Boulevard	BLVD	Lake	LK	Route	RT
Broadway	BDWY	Mount	MT	South	S
Circle	CIR	Mountain	MTN	Street	ST
Court	CT	North	N	Terrace	TER
Drive	DR	Park	PK	Trail	TRL
East	E	Parkway	PKWY	Trailer	TRLR
Fort	FT	Pike	PI	Turnpike	TPKE
Garden	GDN	Place	PL	Way	WY
Headquarters	HQ	Point	PT	West	W

State Codes

01 Alabama	22 Massachusetts	43 Tennessee
02 Alaska	23 Michigan	44 Texas
03 Arizona	24 Minnesota	45 Utah
04 Arkansas	25 Mississippi	46 Vermont
05 California	26 Missouri	47 Virginia
06 Colorado	27 Montana	48 Washington
07 Connecticut	28 Nebraska	49 West Virginia
08 Delaware	29 Nevada	50 Wisconsin
09 District of Columbia	30 New Hampshire	51 Wyoming
10 Florida	31 New Jersey	53 Canada
11 Georgia	32 New Mexico	54 Mexico
12 Hawaii	33 New York	56 Federated States of Micronesia
13 Idaho	34 North Carolina	57 Marshall Islands
14 Illinois	35 North Dakota	58 Northern Marianna Islands
15 Indiana	36 Ohio	59 Palau
16 Iowa	37 Oklahoma	61 American Samoa
17 Kansas	38 Oregon	62 Guam
18 Kentucky	39 Pennsylvania	64 Puerto Rico
19 Louisiana	40 Rhode Island	66 Virgin Islands
20 Maine	41 South Carolina	
21 Maryland	42 South Dakota	

PART 1 — FEDERAL INFORMATION

Section A. Student's Information

Fill in this section with information about you, the student who is applying for aid.

2-5. Give the address where you will be receiving mail. All mail will be sent to this address. If your place of residence is not included in the state code list, leave the state code and ZIP Code blank and write in the name of your city and territory or country in the space for city. Don't use the addresses of the financial aid office or any other office. "Abbreviations for Street Address" are listed above.

6-9. If you are a U.S. citizen (or U.S. national), mark answer (a) and go on to question 10. Mark answer (b) and write in your eight or nine digit Alien Registration Number if you are one of the following:
- U.S. permanent resident, and you have an Alien Registration Receipt Card (I-151 or I-551).
- Other eligible noncitizen with a Departure Record (I-94) from the U.S. Immigration and Naturalization Service showing any one of the following designations:
  (1) "Refugee"
  (2) "Asylum Granted"
  (3) "Indefinite Parole" and/or "Humanitarian Parole"
  (4) "Cuban-Haitian Entrant"
- Other eligible noncitizen with a Temporary Resident Card (I-688).

If you are a citizen of the Marshall Islands, Federated States of Micronesia, or Palau, see your financial aid administrator.

If you cannot mark answer (a) or (b), you **must** mark answer (c). If you are in the U.S. on only an F1 or F2 student visa, only a J1 or J2 exchange visitor visa, or only a G-series visa (pertaining to international organizations), you must mark answer (c).

11. Give the two-number code for your current State/Country of legal residence. Use the state code list on page 3 of these instructions. If your place of residence is not included in the list, leave the state code blank.

12. Mark your year in college from July 1, 1991 to June 30, 1992.

13. Mark "No" if you do not have a Bachelor's degree and you will not have one by July 1, 1991.

    Mark "Yes" if you already have a Bachelor's degree or will have one by July 1, 1991. Also mark "Yes" if you have or will have a degree from a university in another country that is equal to a Bachelor's degree.

Section B. Student's Status

Answer question 14. A blank counts as "No."

14a. Mark the correct answer. (See your answer to question 7.)

14b. Mark "Yes" if you are a veteran of active service in the U.S. Army, Navy, Air Force, Marines, or Coast Guard. Also mark "Yes" if you are not a veteran now but will be one by June 30, 1992.

    Mark "No" if you are or were:
    - Never in the U.S. Armed Forces;
    - Only an ROTC student;
    - Only a cadet or midshipman at one of the service academies;
    - Only a National Guard or Reserves enlistee; or
    - Currently serving in the U.S. Armed Forces and will continue to serve through June 30, 1992.

14c. Mark "Yes" if:
    - Both your parents are dead **and** you don't have an adoptive parent or "Legal Guardian" (see page 13); or
    - You are currently a ward of the court.

    Otherwise, mark "No."

14d. Mark "Yes" if you have any children who get more than half of their support from you. Also mark "Yes" if other people live with you and get more than half of their support from you and will continue to get that support during the 1991-92 school year. *(Don't include your spouse.)* Otherwise, mark "No."

"Parents" in questions 15, 17, 18, 19, 20, 21, and 22 means your mother and/or father, or your adoptive parents, or legal guardian. "Parents" does not mean foster parents and, for this section, it does not mean stepparent. Later, the instructions will tell you if you should supply information about your stepparents.

Unmarried Undergraduate Students Only

15. If your parents claimed you as an exemption on their 1989 and/or will do so on their 1990 income tax return, you must answer "Yes." If your parents are divorced or separated, answer "Yes" if either of your parents claimed you as an income tax exemption in 1989 and/or will do so on their 1990 income tax return. Otherwise, answer "No."

16. Mark the oval that best describes when you first received Federal student aid, **beginning with the 1987-88 school year** (July 1, 1987 through June 30, 1988). *Mark only one oval: a, b, c, d, or e.*

Federal student aid includes:
- Pell Grant;
- Stafford Loan/Guaranteed Student Loan (GSL), including Supplemental Loans for Students (SLS);
- Supplemental Educational Opportunity Grant (SEOG);
- College Work-Study (CWS);
- Perkins Loan/National Direct Student Loan (NDSL); or
- State Student Incentive Grant (SSIG). These grants often have other names such as Student Incentive Grants, Incentive Grants, Tuition Grants, etc.

Below are some examples to help you answer question 16.

Example #1 — Buck Bundy received Federal student aid in the 1986-87 and 1987-88 school years. Therefore, Buck should mark the oval for "a." Even if Buck had received Federal student aid in the 1985-86 and 1987-88 school years, he should still mark the oval for "a," because the first school year (beginning with 1987-88) in which he received Federal student aid is 1987-88.

Example #2 — Jeff Akbar **first** received Federal student aid in the 1988-89 school year. Therefore, Jeff should mark the oval for "b."

Example #3 — Wu Lin **first** received Federal student aid in the 1989-90 school year. Therefore, Wu should mark the oval for "c."

Example #4 — Kate Murphy **first** received Federal student aid in the 1990-91 school year. Therefore, Kate should mark the oval for "d."

Example #5 — Vickie Tingley received Federal student aid in the 1986-87 school year **and** has not received Federal student aid since then. Therefore, Vickie should mark the oval for "e."

Example #6 — Joaquin Rodriguez has never received Federal student aid. Therefore, Joaquin should mark the oval for "e."

17-21. When figuring your resources in questions 17, 18, 19, 20, or 21 be sure to include:
- Wages, salaries, and tips, etc.;
- Interest income and dividend income;
- Any student financial aid (except PLUS loans);
- Personal long-term cash loans used for educational purposes; **and**
- Any other income and benefits (such as veterans cash benefits, fellowships, etc.).

Don't include any resources from your parents such as money that you earned from them or gifts that you received from them.

Married or Graduate/Professional Students Only

22. If your parents will claim you as an exemption on their 1991 income tax return, you must answer "Yes."

You must see your college financial aid administrator before completing the rest of this form if:
- You answered "No" to all of the questions in 14, but after answering questions 15-21 or 22, you were told to skip page 3 (parental information); **and**
- You were not required to provide parental information in 1990-91; **and**
- You were claimed by any person, other than your spouse, as a tax exemption in 1990.

Note: Some colleges/programs (typically, professional degree programs such as medicine, law, etc.) require that independent students provide parental data. Check with your college to see if they need information about your parents. If your college requests parental data, you should provide information about your parents even though these directions tell you to skip parental items.

Section C. Student's (& Spouse's) General Information

Fill out this section with information about yourself (and your spouse). If you are divorced, separated, or widowed, don't include information about your spouse.

23. Give the number of people that you will support between July 1, 1991 and June 30, 1992. Include yourself and your spouse. Include your children if they get more than half of their support from you. Include other people only if they meet the following criteria:
    - They now live with you; **and**
    - They now get more than half of their support from you **and** they will continue to get the support between July 1, 1991 and June 30, 1992.

24. Give the number of people from question 23, including yourself, who will be going to college between July 1, 1991 and June 30, 1992. Include only students enrolling for at least 6 credit hours per term. If the school uses clock hours, include only students attending at least 12 clock hours per week.

Section D. Parents' General Information

Read the descriptions below. Choose the box that is true for you and follow the instructions.

☐ **Your parents are both living and married to each other.** Answer the questions on the rest of the form about them.

☐ **You have a legal guardian.** Answer the questions on the rest of the form about your "Legal Guardian." For a definition of "Legal Guardian" see page 13.

☐ **Your parents have divorced or separated.** Answer the questions on the rest of the form about the parent you lived with most in the last 12 months. For example, if you lived with your mother most, answer the questions about her, and not about your father. If you did not live with one parent more than with the other in the last 12 months, answer in terms of the parent who provided the most financial support during that time. If neither parent provided greater financial support during the last 12 months, answer in terms of the parent who provided the greater support during the most recent calendar year. *(Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, payment of college costs, etc.)*

☐ **Your parent is widowed or single.** Answer the questions on the rest of the form about that parent.

If you have a stepparent. If the parent that you counted above has married or remarried, you must include information about your stepparent (even if they were not married in 1990).

If you are giving information about your stepparent, note that wherever we say "parents" on the rest of this form, we also mean your stepparent.

25. Mark the oval beside your parents' marital status. Show the current marital status of the people that you give information about on this form. For example, if you give information about your mother and stepfather, mark the oval beside "married," because your mother and stepfather are married.

26. Give the two-number code for your parents' current State/Country of **legal** residence. See the state code list on page 3 of these instructions.

27. Give the number of **people** that your parents will support between July 1, 1991 and June 30, 1992. Include your parents and yourself. Include your parents' other children if they get more than half of their support from your parents. Also include them if they would be required to provide parental information when applying for Federal student aid for the 1991-92 school year. Include other people only if they now live with and get more than half of their support from your parents and will continue to get this support between July 1, 1991 and June 30, 1992. *(Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, payment of college costs, etc.)*

28. Give the number of people from question 27, including yourself, who will be going to college between July 1, 1991 and June 30, 1992. Include only students enrolling for at least 6 credit hours per term. If the school uses clock hours, include only students attending at least 12 clock hours per week.

Section E. Parents' Income Information for 1990

Income, Earnings, and Benefits

If the instructions tell you to skip a question, leave it blank. If your answer to any question is "none" or "zero," put a zero in the right-hand box of the answer space and blacken the zero oval below that box. Don't leave it blank or use dashes. For example:

If your parents filed (or will file) a "Foreign Tax Return" or a Puerto Rican tax return, see page 13.

29. **1990 U.S. income tax figures**

From a completed return. Mark only one oval to indicate which IRS Form was filed. Use this tax return to answer questions 30 through 34 and 36.

Estimated. Mark the correct oval if your parents have not yet filed but will file a 1990 U.S. income tax return. Use their financial records to answer questions 30 through 34 and 36. For these questions, you must write in the figures that will be on the tax return. Filling out a 1990 U.S. income tax return will help you answer these questions.

A tax return will not be filed. Mark this oval if your parents will not file a 1990 U.S. income tax return. Don't answer questions 30 through 32. Skip to question 33.

If you are giving information for only one parent and that parent filed (or will file) a joint tax return for 1990, give only that parent's portion of the exemptions and income asked for in questions 30 through 38.

If your parents are married and they filed (or will file) separate tax returns for 1990, be sure to include both parents' exemptions and incomes in questions 30 through 38.

30. **Total number of exemptions for 1990.** Write in the number from Form 1040, line 6e, or 1040A, line 6e. If your parent used the 1040EZ and he or she checked "Yes" in question 4 of that form, write in "00." Otherwise, write in "01."

Important: See the table below for some of the types of student financial aid that you should exclude from income and taxes in questions 31 through 38.

Student Financial Aid	Exclude if based on need	Exclude if not based on need
Grants, Scholarships or Fellowships	Yes	Yes
Earnings from a Work Program including Assistantships	Yes	No
Loans	Yes	Yes

31. **Adjusted Gross Income (AGI) for 1990.** If your parents' U.S. income tax return for 1990 has been completed, write in the Adjusted Gross Income (AGI) from Form 1040, line 31; 1040A, line 16; or 1040EZ, line 3.

Don't include any income or capital gains from the sale of a business or farm, if the sale resulted from a voluntary or involuntary foreclosure, forfeiture, or bankruptcy or involuntary liquidation. If the figure is negative due to a business or farm loss, write in the negative amount and blacken the "-" oval that is above the question heading.

Use worksheet #1 on page 12 to answer question 31 if you cannot get a 1990 tax form, but will be filing one.

32. **U.S. income tax paid for 1990.** Write in the amount from Form 1040, line 47; 1040A, line 25; or 1040EZ, line 7. Make sure this amount doesn't include any FICA, self-employment, or other taxes. **Don't** copy the amount of "Federal income tax withheld" from a W-2 Form.

33-34. **Income earned from work in 1990.**

If you skipped questions 30 through 32, include your parents' earnings from work in 1990. Add up the earnings from your parents' W-2 Forms and any other earnings from work that are not included on the W-2 Forms.

If you answered questions 30 through 32, include the "Wages, salaries, tips, etc." from your parents' Form 1040, line 7; 1040A, line 7; or 1040EZ, line 1. If your parents filed a joint return, report your father's and mother's earnings separately. If your parents own a business or farm, also add in the amounts from Form 1040, lines 12 and 19.

If a figure is negative due to a business or farm loss, write in the negative amount and blacken the corresponding "-" oval that is above the question heading.

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35. **Social security benefits for 1990.** Write in the amount of untaxed social security benefits (including Supplemental Security Income) that your parents got in 1990. Don't include any benefits reported in question 31. Don't report monthly amounts; write in the total for 1990. Be sure to include the amounts that your parents got for you and their other children.

36. **Aid to Families with Dependent Children (AFDC or ADC) for 1990.** Don't report monthly amounts; write in the total for 1990. Don't report social security benefits here.

37. **Child support received for all children.** Include the student. Don't report monthly amounts; write in the total for 1990.

38. **Other untaxed income and benefits for 1990.** Add up your parents' untaxed income and benefits for 1990. Use worksheet #2 on page 12. Be sure to include your parents' earned income credit and deductible IRA/Keogh payments, if any.

Section F. Student's (& Spouse's) Income Information for 1990

Income, Earnings, and Benefits

If the instructions tell you to skip a question, leave it blank. If your answer to any question is "none" or zero, put a zero in the right-hand box of the answer space and blacken the zero oval below that box. Don't leave it blank or use dashes. For example:

If you (or your spouse) filed (or will file) a "**Foreign Tax Return**" or a **Puerto Rican tax return**, see page 13.

39. **1990 U.S. income tax figures.**

From a completed return. Mark only one oval to indicate which IRS Form was filed. Use this tax return to answer questions 40 through 44 and 48.

Estimated. Mark the correct oval if you (and your spouse) have not yet filed but will file a 1990 U.S. income tax return. Use your financial records to answer questions 40 through 44 and 48. For these questions, you must write in the figures that will be on the tax return. Filing out a 1990 U.S. income tax return will help you answer these questions.

A tax return will not be filed. Mark this oval if you (and your spouse) will not file a 1990 U.S. income tax return. Don't answer questions 40 through 42. Skip to question 43.

If you are divorced, separated, or widowed, and you filed (or will file) a joint tax return for 1990, give only your portion of the exemptions and income asked for in questions 40 through 48.

If you are married and you and your spouse filed (or will file) separate tax returns for 1990, be sure to include both your and your spouse's exemptions and incomes in questions 40 through 48, even if you were not married in 1990.

40. **Total number of exemptions for 1990.** Write in the number from Form 1040, line 6e, or 1040A, line 6e. If you used the 1040EZ and you checked "Yes" in question 4 of that form, write in "00." Otherwise, write in "01."

Important: See the table below for some of the types of student financial aid that you should exclude from income and taxes in questions 41 through 48.

Student Financial Aid	Exclude if based on need	Exclude if not based on need
Grants, Scholarships or Fellowships	Yes	Yes
Earnings from a Work Program including Assistantships	Yes	No
Loans	Yes	Yes

41. **Adjusted Gross Income (AGI) for 1990.** If a U.S. income tax return for 1990 has been completed, write in the Adjusted Gross Income (AGI) from Form 1040, line 31; 1040A, line 16; or 1040EZ, line 3.

Don't include any income or capital gains from the sale of a business or farm, if the sale resulted from a voluntary or involuntary foreclosure, forfeiture, or bankruptcy or involuntary liquidation. If the figure is negative due to a business or farm loss, write in the negative amount and blacken the "#" oval that is above the question heading.

Use worksheet #1 on page 12 to answer question 41 if you cannot get a 1990 tax form, but will be filing one.

42. **U.S. income tax paid for 1990.** Write in the amount from Form 1040, line 47; 1040A, line 25; or 1040EZ, line 7. Make sure this amount doesn't include any FICA, self-employment, or other taxes. **Don't** copy the amount of "Federal income tax withheld" from a W-2 Form.

43-44. **Income earned from work in 1990.**

If you skipped questions 40 through 42, include your (and your spouse's) earnings from work in 1990. Add up the earnings from your (and/or your spouse's) W-2 Forms and any other earnings from work that are not included on the W-2 Forms.

If you answered questions 40 through 42, include the "Wages, salaries, tips, etc." from your (and your spouse's) Form 1040, line 7; 1040A, line 7; or 1040EZ, line 1. If you (and your spouse) filed a joint return, report your and your spouse's earnings separately. If you (and/or your spouse) own a business or farm, also add in the amounts from Form 1040, lines 12 and 19.

If a figure is negative due to a business or farm loss, write in the negative amount and blacken the corresponding "#" oval that is above the question heading.

In questions 45 through 48, don't include benefits reported in Section E, questions 35, 36, 37, and 38.

45. **Social security benefits for 1990.** Write in the amount of untaxed social security benefits (including Supplemental Security Income) that you (and your spouse) got in 1990. Don't include any benefits reported in question 41. Don't report monthly amounts; write in the total for 1990. Be sure to include the amounts that you got for your children.

46. **Aid to Families with Dependent Children (AFDC or ADC) for 1990.** Don't report monthly amounts; write in the total for 1990. Don't report social security benefits here.

47. **Child support received for all children.** Don't report monthly amounts; write in the total for 1990.

48. **Other untaxed income and benefits for 1990.** Add up your (and your spouse's) untaxed income and benefits for 1990. Use worksheet #2 on page 12. Be sure to include your earned income credit and deductible IRA/Keogh payments, if any.

Section G. Federal Student Aid Release

49a. Answer "Yes" if you give ACT permission to send information from this FFS to the U.S. Department of Education. You must answer "Yes" if you want to be considered for a Pell Grant and other Federal student financial aid. **If you leave the answer to this question blank, we will count it as "No."**

The U.S. Department of Education is permitted by regulation to provide your name, address, social security number, date of birth, Pell Grant Index (PGI), Family Contribution (FC), student status, year in college, and state of legal residence to the colleges that you list in question 50 (or its representative), even if you mark "No" to question 49c. This information will also go to the state agencies in your state of legal residence to help coordinate state financial aid programs with Federal student aid programs, even if you mark "No" to question 49b. However, no additional information such as income information will be sent if you mark "No" to questions 49b or 49c.

49b. Answer "Yes" if you give the U.S. Department of Education permission to send information from this FFS to the financial aid agencies in your state. **By answering "Yes" you are not applying for state student financial aid in some**

states. Some agencies that use the FFS also require that an ACT report be sent to them. Some state agencies may, however, request this information from the U.S. Department of Education to help them decide whether you will get a state award and to check to see if you reported correct information on your state student aid application. Also, they may use it to help in the processing of your application for a Stafford Loan if you are eligible. Mark "No" if you don't want your information sent.

49c. Answer "Yes" if you give the U.S. Department of Education permission to send information from this FFS to the college(s) (or its representative) you list in question 50. **You should be aware that most colleges that use the FFS will also require that you have an ACT report sent to them.** Mark "No" if you don't want your information sent.

49d. In order to receive Federal student aid you must be registered with Selective Service if:
- you are a male who is at least 18 years old and born after December 31, 1959.

Mark the oval **only** if you:
- are a male and are 18 through 25 years of age **and**
- have not yet registered with Selective Service,
- give Selective Service permission to register you, **and**
- answered "Yes" to question 49a.

If you believe that you are not required to be registered, call the Selective Service at 1-800-621-5388 for information regarding exemptions.

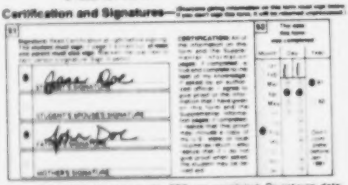
College Release

50. Enter the ACT code number(s) of the college(s) you will most likely attend during the 1991-92 school year. Use only ACT code numbers. These codes, are listed on pages 14 through 24 of this instruction booklet. The U.S. Department of Education will make information from Part 1 of the FFS available to the schools you list here at no cost to you. If you don't know yet which college(s) you are most interested in, you may leave this question blank.

If you are applying for state, institutional, or private aid, most schools that use ACT services require that an ACT report be sent directly to them. To request that ACT reports be sent directly to colleges and agencies, you must complete the "Request for ACT Reports" (Section P on page 8).

Certification and Signatures

51. You must sign the FFS. (See example below.) If you don't sign the FFS, it will be returned unprocessed. If you are married, your spouse must sign the FFS. If you filled in Sections D and E on page 3 of the FFS, **at least one of your parents must sign the FFS. Everyone signing this form is certifying that all information on the FFS is correct** and that they are willing to give documents to prove that the information is correct. Such documents may include U.S. state or local tax returns.



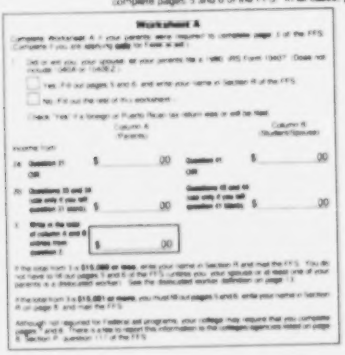
52. Fill in the date that the FFS was completed. Do not sign, date, or mail the form before January 1, 1991. Any FFS dated or received before January 1, 1991 will be returned to you unprocessed.

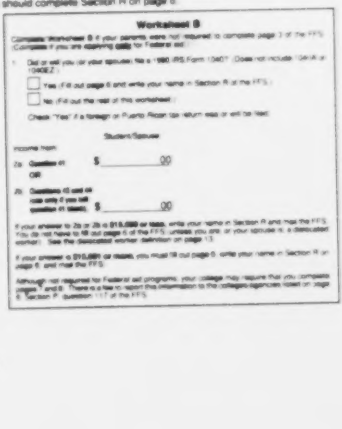
Important Notice for Worksheets A and B

If you are applying for institutional financial aid or aid from some state scholarship agencies as well as Federal aid, you **may be required** to complete pages 5 through 8 of the FFS. (If your parents were not required to complete page 3, you may skip page 5.) Note: Most colleges that use ACT's reporting services require that you complete all pages of the FFS.

OR

If you are applying only for Federal aid, complete Worksheet A **or** B that follows to see if you need to complete pages 5 and 6 of the FFS. In all cases, you should complete Section R on page 8.





Section H. Parents' Expense and Asset Information

Don't leave any question in Section H blank. If a question doesn't apply to your parents, put a "0" in the right-hand box of the answer space and blacken the oval below that box.

53. Medical and dental expenses in 1990 not paid by insurance. Write in the amount of money that your parents **paid** in 1990 for medical and dental expenses (include insurance premiums). Don't include amounts covered by insurance or self-employed health deductions from Form 1040, line 26. If your parents itemized deductions on their 1990 U.S. income tax return, write in the amount from Form 1040, Schedule A, line 1.

54-55. Elementary, junior high, and high school tuition paid in 1990. Write in the amount of money that your parents **paid** in 1990 for elementary, junior high, and high school tuition for family members who were included in question 27. (Tuition doesn't include room, board, books, transportation, etc.) **Don't include** tuition paid by scholarships. Also, don't include tuition that your parents paid for you or any tuition for preschool or college.

Mark the number of dependent children for whom the amount listed in question 54 was paid in 1990. **Don't include** yourself (the student) or any person who was not included in question 27.

56. Displaced Homemaker. Mark "Yes" if either of your parents (for whom you are providing information) meets **all** of the following descriptions for a displaced homemaker:

- Your parent has not worked full-time in the labor force for a substantial number of years (e.g., approximately five years or more), but has, during those years, worked in the home providing unpaid services for family members; **and**
- Your parent has been dependent on public assistance or on the income of another family member but is no longer receiving that income, or your parent is receiving public assistance because of dependent children in the home; **and**
- Your parent is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.

"Unemployed" means not working this week but being available for work. To qualify, your parent must have made specific efforts to get a job sometime during the last four weeks.

"Underemployed" means working part-time even though your parent wants full-time employment. It refers to a condition where work is slack or only part-time work is available.

Mark "No" if neither of your parents meets **all** the descriptions mentioned above.

57. Give the age of the older parent for whom you are giving information on this form.

You must give information about your parents' assets in questions 58 through 65. If you are giving information for only one parent and that parent has jointly owned assets, give only that parent's portion of the assets and debts. If your parents have assets owned jointly with someone else, give only your parents' portion of the assets and debts.

In questions 58 through 65, **don't include**:

- Personal or consumer loans, or any debts that are not related to the assets listed.
- The value of retirement plans (pension funds, annuities, IRAs, Keogh Plans, etc.).
- Student financial aid.

58. Cash, savings, and checking accounts. Write in the amount of money that your parents have in cash, savings, and checking accounts today.

59-60. Home. If your parents own a home, write in how much the home is worth. Use the price your parents could reasonably expect to receive for their home if it went on sale **today**. Don't use assessed, insured, or taxed value. A "home" includes a house, mobile home, condominium, etc. If your parents are renters, write in "0."

Then, write in how much your parents owe on the home, including all the present mortgage and related debts on the home. *(Don't include interest due.)* Check with the mortgage company if you don't know.

61-62. Other real estate and investments. If your parents own other real estate (*including rental property, land, second or summer homes*) or have investments, write in how much they are worth **today**. Investments include trust funds, money market funds, mutual funds, certificates of deposit, stocks, bonds, other securities, installment and land sale contracts (*including mortgages held*), commodities, precious and strategic metals, etc.

Then, write in how much your parents owe on other real estate and investments.

63-64. Business and farm. If your parents own a business and/or farm, write in how much the business and/or farm are worth **today**. Include the value of land, buildings, machinery, equipment, livestock, inventories, etc. Don't include the home. *(Home value and debt should be given in questions 59 and 60.)*

Then, write in what your parents owe on the business and/or farm. Include only the present mortgage and related debts for which the business and/or farm were used as collateral.

If your parents are not the sole owners, write in only their share of the total value and debt.

65. If you entered "0" for question 63, mark "No."

Section I. Parents' Estimated Income Information for 1991

This section asks about income and benefits your parents expect to get. If your parent is divorced, separated, or widowed, don't include information about the other parent. Answer these questions as accurately as you can. If a question doesn't apply, or your parents don't expect to get any income or benefits from that source, write in "0."

66. Mark "Yes" if either of your parents (for whom you are providing information) is currently certified as a **"Dislocated Worker"** by the appropriate state agency (see page 13). If you marked "Yes," you may be asked to document your parent's status as a dislocated worker.

Mark "No" if neither of your parents is certified as a dislocated worker.

Important: See the table on page 5 for the kinds of income and taxes to leave out of this section.

67-68. 1991 income earned from work. Include wages, salaries, and tips. See **important** note above.

69. 1991 Other taxable income. Write in the total amount of other taxable income that your parents will report on their 1991 IRS Form 1040, 1040A, or 1040EZ. Include interest and dividend income and any other taxable income. **Don't** include any unemployment compensation or any income that you reported in questions 67 and 68.

If a figure in questions 67-69 is negative due to an anticipated loss, write in the negative amount and blacken the corresponding "0" oval that is above the question heading.

70. 1991 U.S. income tax to be paid. Write in the amount of income taxes that your parents expect to pay in 1991. Make sure this amount doesn't include any FICA, self-employment, or other taxes.

71. 1991 Nontaxable income and benefits. These are the same types of income and benefits that were asked for in questions 35, 36, 37, and 38.

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Section J. Student's (& Spouse's) Expense and Asset Information

Don't leave any question in Section J blank. If a question doesn't apply, put a "0" in the right-hand box of the answer space and blacken the oval below that box.

72. **Medical and dental expenses in 1990 not paid by insurance.** Write in the amount of money that you (and your spouse) **paid** in 1990 for medical and dental expenses (include insurance premiums). Don't include amounts covered by insurance or **self-employed health** deductions from Form 1040, line 26. If you (and your spouse) itemized deductions on your 1990 U.S. income tax return, write in the amount from Form 1040, **Schedule A**, line 1.

73-74. **Elementary, junior high, and high school tuition paid in 1990.** Write in the amount of money that you (and your spouse) **paid** in 1990 for elementary, junior high, and high school tuition for family members who were included in question 23. (Tuition doesn't include room, board, books, transportation, etc.) **Don't include** tuition that you paid for yourself, tuition paid by scholarships, **or** any tuition paid for preschool or college.

Mark the number of dependent children for whom the amount listed in question 73 was paid in 1990. **Don't include** yourself, or any person who was not included in question 23.

75. **Displaced Homemaker.** Mark "Yes" if you or your spouse meets **all** of the following descriptions for a displaced homemaker:
- You or your spouse has not worked full-time in the labor force for a substantial number of years (e.g., approximately five years or more) but has, during those years, worked in the home providing unpaid services for family members, **and**
- You or your spouse has been dependent on public assistance or on the income of another family member but is no longer receiving that income, or you or your spouse is receiving public assistance because of dependent children in the home, **and**
- You or your spouse is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.

"Unemployed" means not working this **week** but being available for work. To qualify, you or your spouse must have made specific efforts to get a job sometime during the last four weeks.

"Underemployed" means working part-time even though you want or your spouse wants full-time employment. It refers to a condition where work is slack or only part-time work is available.

Mark "No" if neither you nor your spouse meets **all** of the descriptions mentioned above.

You must give information about your (and your spouse's) assets in questions 76 through 83. If you are divorced or separated and you and your spouse have jointly owned assets, give only your portion of the assets and debts. If you (and your spouse) have assets owned jointly with someone else, give only your (and your spouse's) portion of the assets and debts. Be sure to give information about assets held in trust for you (and your spouse).

In questions 76-83, **don't include**:
- Personal or consumer loans, or any debts that are not related to the assets listed.
- The value of retirement plans (pension funds, annuities, IRAs, Keogh Plans, etc.).
- Student financial aid.

76. **Cash, savings, and checking accounts.** Write in the amount of money that you (and your spouse) have in cash, savings, and checking accounts today.

77-78. **Home.** If you (and/or your spouse) own a home, write in how much the home is worth. Use the price you could reasonably expect to receive for the home if it went on sale **today**. **Don't** use assessed, insured, or taxed value. A "home" includes a house, mobile home, condominium, etc. **Renters**, write in "0."

Then, write in how much you (and/or your spouse) owe on the home, including the present mortgage and related debts on the home. (Don't include interest due.) Check with the mortgage company if you don't know.

79-80. **Other real estate and investments.** If you (and/or your spouse) own other real estate (including rental property, land, second or summer homes) or have investments, write in how much they are worth **today**. Investments include trust funds, money market funds, mutual funds, certificates of deposit, stocks, bonds, other securities, installment and land sale contracts (including mortgages held), commodities, precious and strategic metals, etc.

Then, write in how much you (and/or your spouse) owe on other real estate and investments.

81-82. **Business and farm.** If you (and/or your spouse) own a business and/or farm, write in how much they are worth **today**. Include the value of land, buildings, machinery, equipment, livestock, inventories, etc. Don't include the home. (*Home value and debt should be given in questions 77 and 78.*)

Then, write in what you (and/or your spouse) owe on the business and/or farm. Include only the present mortgage and related debts for which the business and/or farm were used as collateral.

If you (and your spouse) are not the sole owners, write in only your (and your spouse's) share of the total value and debt.

83. If you entered "0" for question 81, mark "No."

Section K. Veterans Educational Benefits (for the student only)

84-85. **Your veterans Dependents Educational Assistance Program benefits.**

Write in the amount of veterans Dependents Educational Assistance Program (Chapter 35) benefits that you expect to get per month **from July 1, 1991 through June 30, 1992**. **Don't include** Death Pension or Dependency & Indemnity Compensation (DIC).

Write in the number of months **from July 1, 1991 through June 30, 1992** that you expect to get these benefits.

86-87. **Your Veterans Contributory Benefits (VEAP).**

Write in the amount of Veterans Contributory Benefits (Chapter 32) that you expect to get per month **from July 1, 1991 through June 30, 1992**. (*Include both the Government and student portions.*) **Don't include** Death Pension or Dependency & Indemnity Compensation (DIC).

Write in the number of months **from July 1, 1991 through June 30, 1992** that you expect to get these benefits.

Section L. Student's (& Spouse's) Estimated Income Information for 1991

This section asks about income and benefits that you (and your spouse) expect to get. If you are divorced, separated, or widowed, don't include information about your spouse. Answer these questions as accurately as you can. If a question doesn't apply to you, or if you don't expect to get any income or benefits from that source, write in "0."

88. Mark "Yes" if you or your spouse is currently certified as a "**Dislocated Worker**" by the appropriate state agency (see page 13). If you marked "Yes," you may be asked to document your status (or that of your spouse) as a dislocated worker.

Mark "No" if neither you nor your spouse is certified as a dislocated worker.

Important: See the table on page 6 for the kinds of income and taxes to leave out of this section.

89-90. 1991 Income earned from work. Include wages, salaries, and tips. See **Important** note above.

91. 1991 Other taxable income. Write in the total amount of other taxable income that you (and your spouse) will report on your 1991 IRS Form 1040, 1040A, or 1040EZ. Include interest and dividend income and any other taxable income. Don't include any unemployment compensation or any income that you reported in questions 89 and 90.

If a figure in questions 89-91 is negative due to an anticipated loss, write in the negative amount and blacken the corresponding "-" oval that is above the question heading.

92. 1991 U.S. income tax to be paid. Write in the amount of income taxes that you and your spouse expect to pay in 1991. Make sure this amount doesn't include any FICA, self-employment, or other taxes.

93. 1991 Nontaxable income and benefits. These are the same types of income and benefits that were asked for in questions 45, 46, 47 and 48.

If you only want to be considered for Federal student aid, you do not need to fill out the remainder of this form (except Section R). Complete Section R on page 8 and turn to page 2 in the instruction booklet "Sending the FFS to ACT." **Do not send in any fee with your FFS.**

HOWEVER

If you are applying for state, institutional, or private aid in addition to Federal aid and your college requires that ACT send reports directly to them, complete Part 2 (College/Agency/Report Information) of the FFS. Begin with Section M on page 7 and complete the remainder of the FFS (pages 7 and 8.) There is a fee to report this information directly to your school or agency.

PART 2 — COLLEGE AGENCY REPORT INFORMATION

Part 2 of the FFS collects information that is required by some colleges, agencies, and programs. ACT will report Part 1 and Part 2 information directly to colleges/agencies you request on page 8, Section P (Request for ACT Reports) of the FFS.

Section M. Loan Information

After the college financial aid office determines whether you are eligible for campus-based aid, which includes grants, scholarships, loans, and college work-study, you may still be eligible for additional loan funds.

Stafford Loans and Supplemental Loans to Students (SLS) are educational loans to help you pay the cost of college. The terms are very beneficial. For example, on a Stafford Loan, the Federal government pays interest on the loan while you are in school. The interest rate is low once repayment begins and the repayment schedule of 4 to 10 years will not begin until after you leave school or drop to less than half-time enrollment.

By completing Section M of the FFS, you are only indicating an interest in being considered for additional loan funds. Answering the questions now, however, often will speed the process of obtaining loan funds if you are later determined to be eligible.

To actually obtain a Stafford Loan or SLS, you will need to complete a promissory note and, perhaps, additional information, depending upon the college's financial aid process. It is very important that you follow the directions provided by your college financial aid office. Completing Section M does not guarantee that you will be eligible or will receive additional loan funds.

94. Mark "Yes" if you are in default on an educational loan (which includes the Perkins, Stafford, and SLS loan programs); otherwise, mark "No."

Mark "Yes" if you currently owe a refund on an educational grant (which includes the Pell and Supplemental Grants); otherwise, mark "No."

Stafford Loan Questions

95. If you wish to be considered for a Stafford Loan, give the loan amount you are requesting. Be aware that you may not be able to receive all of the money you request. The maximum amount you can borrow from the Stafford Loan program in an academic year is:

Your Academic Level	Amount you can borrow in one academic year
Freshmen, Sophomore	$2,625
Junior, Senior, 2nd Bachelors	$4,000
Graduate/Professional	$7,500

If you do not want a Stafford Loan, leave this question blank and go to question 101.

To answer questions 96-100, refer to your prior Stafford Loan promissory notes. If you do not owe money on a Stafford Loan, enter "0" in question 96, and go to question 101. If you owe money on a Stafford Loan, complete the "Prior Stafford Loan Worksheet" below before answering these questions.

96. Give the total unpaid balance for all of your Stafford Loans. Do not include the money for which you are now applying.

97. Give the unpaid balance of your MOST RECENT PRIOR Stafford Loan.

98. Give the month and year that your loan period started for your MOST RECENT PRIOR Stafford Loan.

99. Mark the oval beside the interest rate of your MOST RECENT PRIOR Stafford Loan. If you don't know the interest rate, look at your promissory note.

100. Mark your grade level (year in college) for your MOST RECENT PRIOR Stafford Loan.

Prior Stafford Loan Worksheet

Use this worksheet to complete Stafford Loan questions 96 through 100. List all of your **unpaid** Stafford Loans excluding the loan for which you are applying. Refer to your promissory notes for loan period dates and interest rate information.

Year in College	Loan Period From: Mo. / Yr.	Loan Period To: Mo. / Yr.	Interest Rate 7%	8%	9%	10%	Unpaid Amount
Correspondence			☐	☐	☐	☐	$ (a)
1st year (freshman)			☐	☐	☐	☐	$ (b)
2nd year (sophomore)			☐	☐	☐	☐	$ (c)
3rd year (junior)			☐	☐	☐	☐	$ (d)
4th year (senior)			☐	☐	☐	☐	$ (e)
5th year undergraduate			☐	☐	☐	☐	$ (f)
1st year graduate			☐	☐	☐	☐	$ (g)
2nd year and beyond graduate			☐	☐	☐	☐	$ (h)
							$ (i)
TOTAL UNPAID LOANS (Enter this amount in question 96.)							$ (j)

Answer questions 97 through 100 for the loan listed with the MOST RECENT loan period.

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SLS Loan Questions

101. If you want to be considered for an SLS loan, give the loan amount you are requesting. Be aware that you may not be able to receive all of the money you request. The maximum amount you can receive in an academic year is $4,000.

If you do not want an SLS loan, leave this question blank and go to question 108.

102. If you want to defer (postpone) payment of your SLS loan until you either leave college or graduate, answer "Yes" and go to question 103. If you do not want to defer payment, answer "No" and go to question 104.

103. Complete this question if you answered "Yes" to question 102. If you do not want to pay interest while in college, mark the oval "Accrue, Capitalize." ("Accrue" means that interest is accumulated after a loan is disbursed, and "Capitalize" means accrued interest is added to the loan's principal balance.) However, your lender may ask you to pay the interest while you are in college. If you do want to pay interest while in college, mark the "Periodic Installment Payments" oval.

Questions 104-107 refer to your prior SLS loans. If you do not owe money on an SLS loan, enter "0" in question 104, and go to question 108. If you owe money on an SLS loan, complete the "Prior SLS Loan Worksheet" below before answering these questions.

104. Give the total unpaid balance for all of your SLS loans. Do not include the loan for which you are applying.

105. Give the unpaid balance of your MOST RECENT PRIOR SLS loan.

106. Give the month and year that your loan period started for your MOST RECENT PRIOR SLS loan.

107. Mark your grade level (year in college) for your MOST RECENT PRIOR SLS loan.

108. If you did not request consideration for a loan in either question 95 or 101, skip to question 109.

If you want either a Stafford or SLS loan, you have the right to choose the lender from which you will borrow.

If you know your lender code, give the 6-digit number. If you do not know the lender code, contact your preferred lender and ask for their U.S. Department of Education 6-digit lender code.

Prior SLS Loan Worksheet

Use this worksheet to complete SLS loan questions 104 through 107. List all of your **unpaid** SLS loans excluding the loan for which you are applying. Refer to your promissory notes for loan period dates.

Year in College	Loan Period From: Mo. / Yr.	Loan Period To: Mo. / Yr.	Unpaid Amount
Correspondence			$ .00
1st year (freshman)			$ .00
2nd year (sophomore)			$ .00
3rd year (junior)			$ .00
4th year (senior)			$ .00
5th year undergraduate			$ .00
1st year graduate			$ .00
2nd year and beyond graduate			$ .00
			$ .00
TOTAL UNPAID LOANS (Enter this amount in question 104.)			$ .00

Answer questions 105 through 107 for the year listed with the MOST RECENT loan period.

Section N. Other Student Information

This section will ask you for information needed by many colleges and state financial aid agencies.

109. List the ACT code number(s) for all college(s) you have attended. (See the ACT code listing in the instruction booklet.) Always list the college you **most recently attended first.** If you cannot find the ACT code number, enter "0000." Leave this question blank if you have not attended a college other than the one you will be attending during the 1991-92 academic year.

110. If you cannot list all previously attended colleges in question 109, mark "Yes," otherwise, mark "No."

111. Mark the ovals next to the terms for which you are requesting financial aid (mark all that apply). These terms apply to the college you are most likely to attend.

112. Mark the oval that best describes your planned enrollment status at the college you are most likely to attend.

113. Mark the oval which best describes your preference for loan or work. Typically, if you are eligible, colleges will offer you one or the other, or both. Your answer to this question will help many colleges choose between loan and work if that should be necessary. Note: The colleges to which you are applying will assume that you wish to be considered for non-repayable grants.

114. If you currently have dependents other than a spouse, indicate how many fall into each of the three age groups.

115-116. **Other Veterans Educational Benefits**

Write in the amount you expect to get **per month** from **July 1, 1991 through June 30, 1992** from the new GI Bill (Montgomery Chapter 30), Vocational Rehabilitation (Chapter 31), Selective Reserve (Chapter 106), and REPS (Restored Entitlement Program for Survivors Section 156). **Don't include** Death Pension, Dependency Indemnity Compensation (DIC), or your spouse's GI Bill. **Also, don't include** any benefits reported in questions 84 through 87.

Write in the number of months **from July 1, 1991 through June 30, 1992** that you expect to get these benefits.

Section O. or Reminders

Depending on the edition of the FFS that you have, one of the following sections (or both) will be present on page 8:

- Section O, which asks for information needed by your state scholarship/grant agency, or
- Reminders, which provide you with helpful suggestions for completing the FFS.

Section P. Request for ACT Reports

117. Students may select to have ACT reports (CFARs) sent directly to colleges, agencies or programs. ACT reports include all of the information from Part I and Part 2 of the FFS. Enter the ACT code number from the code list on pages 14 through 24 of this instruction booklet for the colleges, agencies you wish to receive reports. Generally, you will want to include the same college codes you used on page 4, question 50. Additionally, mark the oval that best describes your planned living arrangement for each college code you enter. Living arrangements do not need to be completed if you are entering agency or program code numbers.

118. Mark the "Yes" oval if you would like an ACT report (CFAR) sent directly to you.

Note: If you request ACT reports in question 117 and/or 118, you must complete Section Q to determine the total fee you need to submit with your FFS.

Section Q. Fees

You must enclose a fee with your FFS if you want any ACT reports (CFARs) sent as a result of:

- requesting ACT reports in Section P, question 117;
- marking "Yes" to Section P, question 118;
- completing a "special state version" of the FFS Section Q that requires a fee) and requesting that an ACT report be provided to that state agency.

To determine the total fee you must submit with your FFS, complete the "FEES" box on page 8, Section Q of the FFS.

Be sure to include the exact fee. If you send less than the correct fee, your reports will not be sent.

If you send more than the correct fee, ACT will not automatically send you a refund. Rather, ACT will credit your overpayment against the cost of having any additional or corrected ACT reports processed from your 1991-92 FFS. If you don't require these additional services, you may write to ACT for a refund. ACT will not refund amounts of $1.50 or less.

Make your check, cashier's check, or money order payable to "ACT." To assure proper credit, print the student's name and social security number on the check, cashier's check, or money order and place it inside the FFS. (Don't staple or tape your fee to the form). The check, cashier's check, or money order must be payable in U.S. dollars and drawn on a bank in the United States. **Do not send cash.**

Be sure to complete your FFS accurately. If, at a later time, you need to make corrections to information and request that revised or additional ACT reports be sent directly to colleges, it will cost you an additional fee.

Section R. Student's Name

Enter your (the student's) first and last name. This is used only as an internal control by ACT in the event the pages of your FFS become separated.

Worksheets #1 and #2

Worksheet #1

	For question 31: PARENTS	For question 41: STUDENT/SPOUSE
Wages, salaries, tips, etc.	$ .00	$ .00
Interest income	.00	.00
Dividends	.00	.00
Other taxable income (alimony received, business and farm income, capital gains, pensions, annuities, rents, unemployment compensation, social security, railroad retirement, and all other taxable income—see the tables on pages 5 and 6 and the instructions for question 31 or question 41).	.00	.00
Add all of the numbers in the column.	.00	.00
Subtract IRS-allowable adjustments to income (payments to IRAs and Keogh Plans, interest penalty on early withdrawal of savings, and alimony paid).	.00	.00
Total. This is your answer for question:	$ .00	$ .00

We urge you to keep this worksheet. Don't send it in with your FFS. You may be asked to refer to it later to verify the information on your FFS. (It may also help to show that your SAR is accurate.)

Worksheet #2

	For question 39: PARENTS	For question 49: STUDENT/SPOUSE
Amounts from IRS tax forms:		
Deductible IRA and/or Keogh payments from Form 1040—total of lines 24a, 24b, and 27; or Form 1040A—line 15c	- .00	- .00
Earned income credit from Form 1040—line 57 or Form 1040A—line 28c	- .00	- .00
Untaxed portions of pensions from Form 1040—line 16a minus 16b, and 17a minus 17b; or 1040A—line 10a minus 10b and line 11a minus 11b (excluding "rollovers").	- .00	- .00
Credit for Federal tax on special fuels from Form 1040—line 50	- .00	- .00
Foreign income exclusion from Form 2555—line 39	- .00	- .00
Tax-exempt interest income from Form 1040—line 8b; or Form 1040A—line 8b.	- .00	- .00
Other untaxed income and benefits:		
Payments to tax-deferred pension and savings plans (paid directly or withheld from earnings; include untaxed portions of 401(k) and 403(b) plans).	- .00	- .00
Welfare benefits, except AFDC or ADC, which you should have reported in question 38 or 48).	- .00	- .00
Workers' Compensation	- .00	- .00
Veterans' noneducational benefits such as: Death Pension, Dependency and Indemnity Compensation (DIC), etc.	- .00	- .00
Housing, food, and other living allowances (excluding rent subsidies for low-income housing) paid to members of the military, clergy, and others (including cash payments and cash value of benefits).	- .00	- .00
Cash support or any money paid on your behalf (e.g., support from a non-custodial parent)	********** .00	- .00
Any other untaxed income and benefits, such as: Black Lung Benefits; Refugee Assistance; untaxed portions of Railroad Retirement Benefits; or Job Training Partnership Act noneducational benefits.	- .00	- .00
Total. This is your answer for question:	$ .00	$ .00
	#39	#49

Don't include:

- Social security.
- Any income reported elsewhere on the form.
- Money from student financial aid.
- Food stamps.
- "Rollover" pensions.
- Gifts and support other than money received from friends or relatives.
- Veterans' educational benefits (G.I. Bill, Dependents' Educational Assistance Program; VA Vocational Rehabilitation Program; VA Contributory Benefits, etc.)

We urge you to keep this worksheet. Don't send it in with your FFS. You may be asked to refer to it later to verify the information on your FFS. (It may also help to show that your SAR is accurate.)

Keep This Booklet!

You will need it to check your information or answer questions when you get your Student Aid Report (SAR) or other materials from ACT.

If you mail your FFS packet **before January 1, 1991**, it will be returned to you.

93-4

Special Instructions/Definitions

Dislocated Worker: To be considered a dislocated worker, you must be currently entitled as one by a state agency such as your local Employment Service or Job Service. This certification is done in accordance with Title III of the Job Training Partnership Act. A dislocated worker generally means a person who:

- has been terminated or laid-off or has received a notice of termination or lay-off;
- has been terminated or received a notice of termination as a result of permanent closure of a plant or other facility; or
- was self-employed (including farmers) but is now unemployed because of poor economic conditions in the community or a natural disaster.

Foreign Tax Return: If you and your spouse, or your parents weren't living a U.S. income tax return in 1990, (for example, Puerto Rican tax form) follow the instructions below:

- In question 29 and/or 39 mark the correct oval: "completed 1990 IRS Form 1040" (if a foreign tax return has been filed), or "estimated 1990 IRS Form 1040" (if a foreign tax return will be filed).
- Use the information from that tax return to fill out this form.
- Convert all figures to U.S. dollars, using the exchange rate that is in effect **today**, and
- Fill out Sections H through L.

Legal Guardian: A legal guardian is a person whom a court has:

- appointed to be your legal guardian and this legal relationship will continue after June 30, 1992, **and**
- directed to support you with his or her own financial resources.

Native American: If you are a Native American, report the amount of income and assets over $2,000 per individual payment that you and your spouse or your parents received in 1990 from the Per Capita Act or the Distribution of Judgment Funds Act. If $2,000 or less per individual payment was received from either of these Acts, don't report it. Don't report funds received as an award under the Alaska Native Claims Settlement Act or the Maine Indian Claims Settlement Act. Also, don't report any assets received from the Alaska Native Claims Settlement Act.

Additional Information On The Federal Student Financial Aid Programs

Do All Schools Take Part In The Federal Student Financial Aid Programs?

No. More than 8,600 schools do take part in one or more of them. Contact the school's financial aid administrator to find out which Federal programs the school participates in.

Where Can I Get More Information On Federal Student Financial Aid?

This booklet gives you only a brief summary of the student financial aid programs offered by the U.S. Department of Education. Each student financial aid program has its own special features and procedures. You can get more information from the booklet **The Student Guide: Financial Aid from the U.S. Department of Education--Grants, Loans, and Work-Study 1991-92.**

To get a free copy, write to:

Federal Student Aid Information Center
P.O. Box 84
Washington, DC 20044

What Is My Pell Grant Index (PGI)?

The PGI is a number that tells whether you may be able to get a Pell Grant. If you are eligible for a Pell Grant, your school will use this number to determine the amount of your award. Even if you don't qualify for a Pell Grant, you may still qualify for one or more of the other Federal programs. Be sure to ask your financial aid administrator if your school needs any additional information from you for these other programs.

What Is My Family Contribution (FC)?

The FC is a number that helps your financial aid administrator determine if you are able to get one of the several available forms of assistance. These include Stafford Loan, SEOG, CWS, and Perkins Loan. Your school will use this number to determine the amount of your grant, loan, or work study award.

What Happens After I Mail In My Form?

Within four to six weeks after you mail in your form, ACT, under contract with the U.S. Department of Education, will send you a **Student Aid Report** (SAR). On the SAR will be either a request for further information or numbers called a **Pell Grant Index** (PGI) and a **Family Contribution** (FC). The U.S. Department of Education uses formulas established by law to figure these numbers from the information you give us. Your school or the U.S. Department of Education may ask you to prove that the information you give on this application is true.

What Happens If I Don't Get A SAR Or I Need Another Copy Of My SAR?

If you don't get a SAR within four to six weeks, or you need another copy of your SAR, write to:

Federal Student Aid Programs
c/o ACT Student Need Analysis Services
P.O. Box 4021
Iowa City, IA 52243

Give your name, address, social security number, and date of birth. Be sure to ask for another copy of your 1991 FFS, give both your old and your new address. Be sure to sign your letter.

What If My Situation Changes?

- Questions 14, 22, 23, 24, 27 and 28 ask you to make projections for the upcoming year. If your answers to these questions change, **wait** until you receive your SAR and then see your financial aid administrator.
- The income and expense information that you give must be accurate. They must match what is or will be on your 1990 income tax forms. If your financial situation has recently changed, contact your financial aid administrator.

Information on the Privacy Act and Use of Your Social Security Number

The Privacy Act of 1974 requires that each Federal agency that asks for your social security number or other information must tell you the following:

1. Its legal right to ask for the information and whether the law says you must give it.
2. What purposes the agency has in asking for it and how it will be used.
3. What could happen if you do not give it.

You must give your social security number (SSN) to apply for Federal student financial aid. The U.S. Department of Education's legal right under the Title IV programs to require that you provide us with your social security number is based on Sections 484(a)(4) of the Higher Education Act of 1965, as amended. The SSN is used under the Pell Grant, Supplemental Educational Opportunity Grant, and College Work-Study programs in recording information about your college attendance and progress, and in making sure that you have received your money. The SSN is also used under the Stafford Loan and Perkins Loan programs to identify the applicant, to determine program eligibility and benefits, and to permit servicing and collecting of the loans.

If you are applying for Federal student aid only, you must fill out everything except questions 49a, 49b, 49d, 50 and pages 7 and 8. If you stop questions 49b and 49d, we will count your answer as "No" for both parts of that question. If you are applying for a Pell Grant only, you can skip questions 6, 57, 58, and 67.

The authority to request all other information, except the SSN, is based on sections 411A, 411B, 411C, 411D, 411E, 414, 475, 476, 477, 478 and 480 of the Higher Education Act of 1965, as amended. This information is used to determine the amount of Federal student aid for which you may be qualified.

The information which you supplied may be disclosed to third parties that the Department has authorized to assist in administering Federal student aid programs. This disclosure may include private firms that the Department contracts with for the purpose of collecting, analyzing, installing, or retrieving records in the system and who are required to maintain safeguards under the Privacy Act. This may also be accomplished through computer matching programs such as the ones currently conducted with the Selective Service System and the Immigration and Naturalization Service.

They will provide your name, address, social security number, date of birth, student aid indices, student status, year in college and state of legal residence to the college(s) that you list in question 50 (or its representatives), even if you check "No" in question 49b. This information will also go to the state scholarship agencies in your state of legal residence to help coordinate state financial aid programs with Federal student aid programs. They will provide calculations and a determination of eligibility to your agency which you listed in your application, or another similar agency, if you request us to do so. That agency may also release information received from the Department to colleges, vocational schools, and their guarantee agencies that you have designated to receive information. Also, they may send information to members of Congress if you ask them to help you with Federal student aid questions. If your parents or your spouse provided information on the form they may also request to see all the information on the application.

If the Federal government, the Department or an employee of the Department is involved in litigation, they may send information to the Department of Justice or a court or adjudicative body, if the disclosure is related to financial aid and certain other conditions are met. The information may also be made available to Federal agencies which have the authority to subpoena other Federal agencies' records. In addition, they may send your information to a foreign, Federal, State or local enforcement agency if the information that you submitted indicates a violation or potential violation of law which that agency has jurisdiction for investigation or prosecution. Finally, they may send information regarding a claim which is determined to be valid and overdue to a consumer reporting agency. This information includes items from the record, the amount, status and history of the claim and the program under which the claims arose.

ACT Financial Aid Code Listing for the 1991-92 Academic Year

This is a list of ACT code numbers and names of colleges and scholarship agencies which have told us they will accept ACT's Student Need Analysis Service reports. It is arranged alphabetically by state and by name of college within the state. Scholarships, agencies, and special programs are listed in the shaded area at the beginning of each state list. **NOTE: Do not list code numbers from the Agencies/Programs sections of the code list in section G, question 90 of the FFS.**

You should use this list to (1) find the codes you wish to enter on your Family Financial Statement (FFS), and (2) find the codes you may request later on the "ACT Report Request" form ACT will send you with your SAR.

If you are unable to locate the ACT code number for your college choice on the list, check with the college financial aid office to make sure that the FFS is the proper form for you to use. If the FFS is the proper form, ask the college for their ACT code.

Use only ACT codes in questions 50 and 117 of the FFS. Use of other codes (or incorrect codes) may cause a substantial delay in processing your application and, may result in colleges or agencies not receiving reports you have requested.

ACT Financial Aid Code Listing

ACT Financial Aid Code Listing

ACT Financial Aid Code Listing

939

ACT Financial Aid Code Listing

ACT Financial Aid Code Listing

941

ACT Financial Aid Code Listing

942

ACT Financial Aid Code Listing

ACT Financial Aid Code Listing

ACT Financial Aid Code Listing

ACT Financial Aid Code Listing

FOREIGN AND OVERSEAS

AFRICA
0400 U.S. International University-East Africa

CANADA
1200 Shannon Bible College
1210 St. Dax College

FRANCE
1300 American College in Paris

GREECE
1347 Southeastern College

ISRAEL
1357 Bar-Ilan University

MEXICO
1359 Universidad de las Americas, A.C.
0400 Universidad Internacional de Mexico, A.C.

WEST GERMANY
0400 Sunday International University

WEST INDIES
1332 Caribbean Union College
1355 Universidad de Antillas

State Student Financial Aid Agencies

ALABAMA
Alabama Commission on Higher Education
One Court Square, Suite 221
Montgomery, Alabama 36197-0001

ALASKA
Alaska Commission on Postsecondary Education
P.O. Box FP
Juneau, Alaska 99811

ARIZONA
Arizona Commission for Postsecondary Education
3030 North Central Avenue, Suite 1407
Phoenix, Arizona, 85012

ARKANSAS
Arkansas Department of Higher Education
1220 West Third Street
Little Rock, Arkansas 72201

CALIFORNIA
California Student Aid Commission
1515 "S" Street
North Building, Suite 500
P.O. Box 942845
Sacramento, California, 94245-1845

COLORADO
Colorado Commission on Higher Education
1300 Broadway, Second Floor
Denver, Colorado 80203

CONNECTICUT
Connecticut Department of Higher Education
61 Woodland Street
Hartford, Connecticut 06105-2391

DELAWARE
Delaware Postsecondary Education Commission
820 North French Street, Fourth Floor
Wilmington, Delaware 19801

DISTRICT OF COLUMBIA
District of Columbia Office of Postsecondary Education
Research and Assistance Office
1331 H Street, N.W., Suite 500
Washington, D.C. 20005

FLORIDA
Office of Student Financial Assistance
Florida Department of Education
1344 Florida Education Center
Tallahassee, Florida 32399

GEORGIA
Georgia Student Finance Authority
2082 East Exchange Place, Suite 250
Tucker, Georgia 30084

HAWAII
Hawaii State Postsecondary Education Commission
2444 Dole Street, Room 209
Honolulu, Hawaii 96822

IDAHO
Idaho State Board of Education
650 West State Street, Room 307
Boise, Idaho 83720

ILLINOIS
Illinois Student Assistance Commission
Executive Offices
500 West Monroe Street, Third Floor
Springfield, Illinois 62704

Program Operations
106 Wilmont Road
Deerfield, Illinois 60015

INDIANA
State Student Assistance Commission of Indiana
964 North Pennsylvania Street
Indianapolis, Indiana 46204-1964

IOWA
Iowa College Aid Commission
201 Jewett Building
Ninth and Grand Avenue
Des Moines, Iowa 50309

KANSAS
Kansas Board of Regents
Capitol Tower, Suite 609
400 S.W. Eighth Street
Topeka, Kansas 66603

KENTUCKY
Kentucky Higher Education Assistance Authority
1050 U.S. 27 South, Suite 102
Frankfort, Kentucky 40601

LOUISIANA
Governor's Special Commission on Education Services
P.O. Box 91202
Baton Rouge, Louisiana 70821-9202

MAINE
Maine Department of Educational and Cultural Services
State House, Station 119
Augusta, Maine 04330

MARYLAND
State Scholarship Administration of the Maryland Higher Education Commission
16 Francis Street, Suite 219
Annapolis, Maryland 21401

MASSACHUSETTS
Massachusetts Board of Regents of Higher Education
Scholarship Office
330 Causeway Street
Boston, Massachusetts 02114

MICHIGAN
Michigan Higher Education Assistance Authority
P.O. Box 30008
Lansing, Michigan 48909

MINNESOTA
Minnesota Higher Education Coordinating Board
Capitol Square Building, Suite 400
550 Cedar Street
St. Paul, Minnesota 55101

MISSISSIPPI
Board of Trustees of State Institutions of Higher Learning
Student Financial Aid
3825 Ridgewood Road
Jackson, Mississippi 39211-6453

MISSOURI
Coordinating Board for Higher Education
101 Adams Street
Jefferson City, Missouri 65101

MONTANA
Montana Guaranteed Student Loan Program
33 South Last Chance Gulch
Helena, Montana 59620

NEBRASKA
Nebraska Coordinating Commission for Postsecondary Education
Capitol Building, Sixth Floor
P.O. Box 95005
Lincoln, Nebraska 68509

NEVADA
State Department of Education
400 West King Street
Carson City, Nevada 89710

NEW HAMPSHIRE
New Hampshire Postsecondary Education Commission
2 Industrial Park Drive
Concord, New Hampshire 03301-8512

NEW JERSEY
New Jersey Department of Higher Education
Office of Student Assistance
4 Quakerbridge Plaza, C.N. 540
Trenton, New Jersey 08625

NEW MEXICO
New Mexico Commission on Higher Education
1068 Cerrillos Road
Santa Fe, New Mexico 87501-4295

NEW YORK
New York State Higher Education Services Corporation
99 Washington Avenue, Room 1435
Albany, New York 12255

NORTH CAROLINA
North Carolina State Education Assistance Authority
P.O. Box 2688
Chapel Hill, North Carolina 27515-2688

NORTH DAKOTA
North Dakota State Board of Higher Education
State Capitol, 10th Floor
Bismarck, North Dakota 58505

OHIO
Ohio Board of Regents
30 East Broad Street, 36th Floor
Columbus, Ohio 43215

OKLAHOMA
Oklahoma State Regents for Higher Education
500 Education Building
State Capitol Complex
Oklahoma City, Oklahoma 73105

OREGON
Oregon State Scholarship Commission
1445 Willamette Street
Eugene, Oregon 97401

PENNSYLVANIA
Pennsylvania Higher Education Assistance Agency
660 Boas Street
Harrisburg, Pennsylvania 17102

RHODE ISLAND
Rhode Island Higher Education Assistance Authority
560 Jefferson Boulevard
Warwick, Rhode Island 02886

SOUTH CAROLINA
South Carolina Higher Education Tuition Grants Commission
P.O. Box 12159
Columbia, South Carolina 29211

SOUTH DAKOTA
Department of Education & Cultural Affairs
Office of the Secretary
700 Governors Drive
Pierre, South Dakota 57501-2291

TENNESSEE
Tennessee Student Assistance Corporation
Parkway Towers, Suite 1950
404 James Robertson Parkway
Parkway Towers
Nashville, Tennessee 37243-0820

TEXAS
Texas Higher Education Coordinating Board
P.O. Box 12788, Capitol Station
Austin, Texas 78711

UTAH
Utah State Board of Regents
355 West North Temple
3 Triad, Suite 550
Salt Lake City, Utah 84180-1205

VERMONT
Vermont Student Assistance Corporation
P.O. Box 2000, Champlain Mill
Winooski, Vermont 05404

VIRGINIA
State Council of Higher Education for Virginia
James Monroe Building
101 North 14th Street
Richmond, Virginia 23219

WASHINGTON
Washington Higher Education Coordinating Board
917 Lakeridge Way, Mail Stop
Olympia, Washington 98504

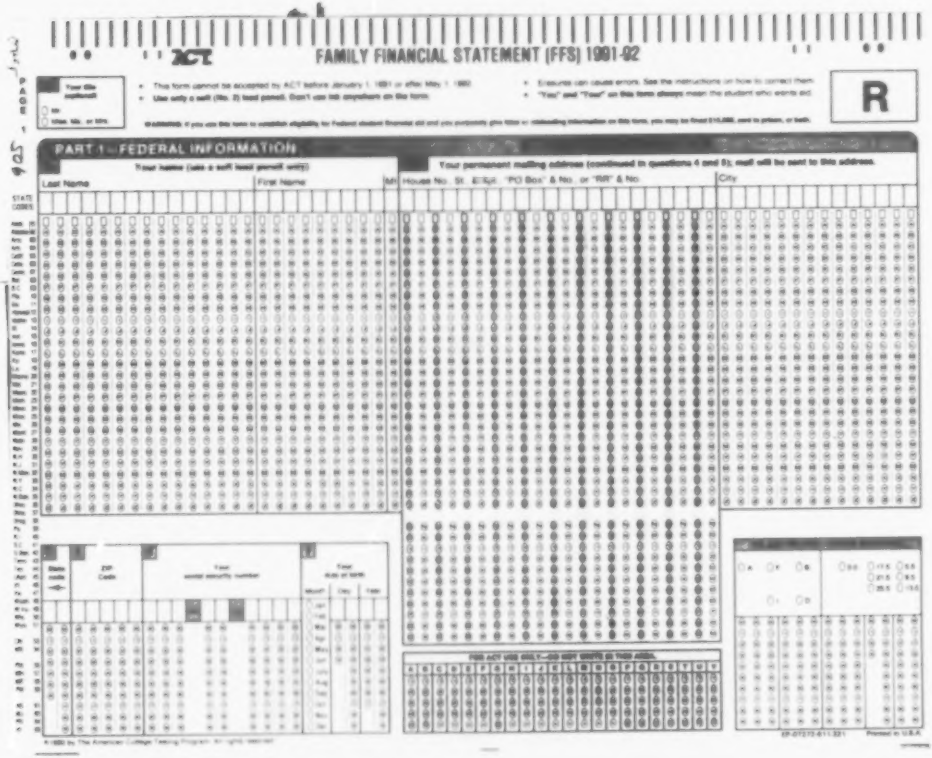
WEST VIRGINIA
West Virginia Higher Education Central Office
P.O. Box 4007
Charleston, West Virginia 25364

WISCONSIN
Higher Educational Aids Board
P.O. Box 1980
Madison, Wisconsin 53701

WYOMING
Wyoming Community College Commission
2020 Carey Ave., 8th Floor
Herschler Building, Second West
Cheyenne, Wyoming 82002

Puerto Rico
Council on Higher Education
Box 23305, U.P.R. Station
Rio Piedras, Puerto Rico 00931

American College Testing • Student Need Analysis Services, P.O. Box 4005, Iowa City, Iowa 52243



FAMILY FINANCIAL STATEMENT (FFS) 1991-92

R

PART 1 — FEDERAL INFORMATION

Your name (use a soft lead pencil only)

Last Name | First Name | MI

Your permanent mailing address (continued in questions 4 and 5); mail will be sent to this address.

House No. St. & Apt. "PO Box" & No. or "RR" & No. | City

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PAGE 2 DO NOT STAPLE OR USE TAPE ON THIS FORM

A. STUDENT'S INFORMATION CONTINUED

8	9	10	11	12	13
Are you a U.S. citizen? (mark only one)	Alien Registration Number (eligible noncitizens only)	As of today are you married? (mark only one)	Enter your state of legal residence	What year will you be in college in 1991-92? (mark only one)	Will you have your first Bachelor's degree before July 1, 1991?
1 Yes, I am a U.S. citizen	A	1 I am not married, I am single, divorced, or widowed	See state code listing on page 1, left margin	1st year (never previously attended college)	Yes
2 No, but I am an eligible noncitizen (see instructions on page 1)		2 I am married	State Code	1st year (previously attended college)	No
3 No, neither of the above (see instructions on page 1)		3 I am separated from my spouse		2nd year	
				3rd year	
				4th year	
				5th year or more undergraduate	
				1st year graduate or professional (having a Bachelor's degree)	
				Continuing graduate or professional	

B. Student's Status— READ THE INSTRUCTIONS BEFORE ANSWERING THESE QUESTIONS.

Unmarried (single, divorced, separated, or widowed) Undergraduate Students Only

14a.	14b.	14c.	14d.	15	16	17	18
Were you born before January 1, 1969?	Are you a veteran of the U.S. Armed Forces?	Are you a ward of the court or are both your parents dead?	Do you have legal dependents (other than a spouse) that fit the definition in the instructions on page 4?	Did your parents claim you as an income tax exemption in 1990? / in 1989?	Beginning with the 1987-88 school year, you first received Federal student aid (mark only one)	Did you have total resources of $4,000 or more, not including parents' support in 1991? / in 1990?	Did you have total resources of $4,000 or more, not including parents' support in 1991? / in 1990?
Yes / No	Yes / No	Yes / No	Yes / No	Yes / No / Yes / No	1 In the 1987-88 school year (go to question 17)	Yes / No / Yes / No	Yes / No / Yes / No
If you answered "Yes" to any question in 14, go directly to Section C, question 23. Skip questions 15 through 22. Do not complete page 3.				If you answered "Yes" to either year in question 15, go directly to Section C, question 23. Skip the rest of this page.	2 In the 1988-89 school year (go to question 17)	If you answered "Yes" to both years in question 17, go directly to Section C, question 23. Skip questions 18, 19, 20, 21, and 22. Do not complete page 3 of this form.	If you answered "Yes" to both years in question 18, go directly to Section C, question 23. Skip questions 19, 20, 21, and 22. Do not complete page 3 of this form.
If you answered "No" to all of the questions — 14 and you are:				If you answered "No" to both years in question 15, go on to question 16.	3 In the 1989-90 school year (go to question 17)		
• Unmarried now (single, divorced, separated, or widowed) and will be an undergraduate student in 1991-92, go on to question 15.					4 In the 1990-91 school year (go to question 17)	If you answered "No" to either year in question 17, go directly to page 3, question 23. Skip the rest of this page.	If you answered "No" to either year in question 18, go directly to page 3, question 23. Skip the rest of this page.
• Married now or will be a graduate/professional student in 1991-92, go directly to question 22. Skip questions 15 through 21.					5 None of the above (go to question 17)		

B. Unmarried Undergraduate Students (Continued)

19	20	21
Did you have total resources of $4,000 or more, not including parents' support in 1991? / in 1990?	Did you have total resources of $4,000 or more, not including parents' support in 1991? / in 1990?	Did you have total resources of $4,000 or more, not including parents' support in 1991? / in 1990?
Yes / No / Yes / No	Yes / No / Yes / No	Yes / No / Yes / No
If you answered "Yes" to both years in question 19, go directly to Section C, question 23. Skip questions 20, 21, and 22. Do not complete page 3 of this form.	If you answered "Yes" to both years in question 20, go directly to Section C, question 23. Skip questions 21 and 22. Do not complete page 3 of this form.	If you answered "Yes" to either year in question 21, go directly to Section C, question 23. Skip the rest of this page.
If you answered "No" to either year in question 19, go directly to page 3, question 23. Skip the rest of this page.	If you answered "No" to either year in question 20, go directly to page 3, question 23. Skip the rest of this page.	If you answered "No" to both years in question 21, go directly to Section C, question 23. Do not complete page 3 of this form.

Married/Graduate/Professional Only

22
Will your parents claim you as an income tax exemption in 1991?
Yes / No
If you answered "Yes" to question 22, go directly to Section C, question 23. Skip the rest of this page.
If you answered "No" to question 22, go on to Section C, question 23. Do not complete page 3 of this form.

C. Student's (& Spouse's) General Info.

23	24
Number of family members in 1991-92	Number of college students in 1991-92
Mark the total number of family members that you will support from June 1991 - May 1992. Include yourself, your spouse, children, parents, and others you support. Count only those you support more than half. Do not count yourself if you are a dependent student.	If the number you mark in question 23 is higher than you expect, you may submit documentation showing the number in question 24.
	Skip page 3, go on to page 4, question 39

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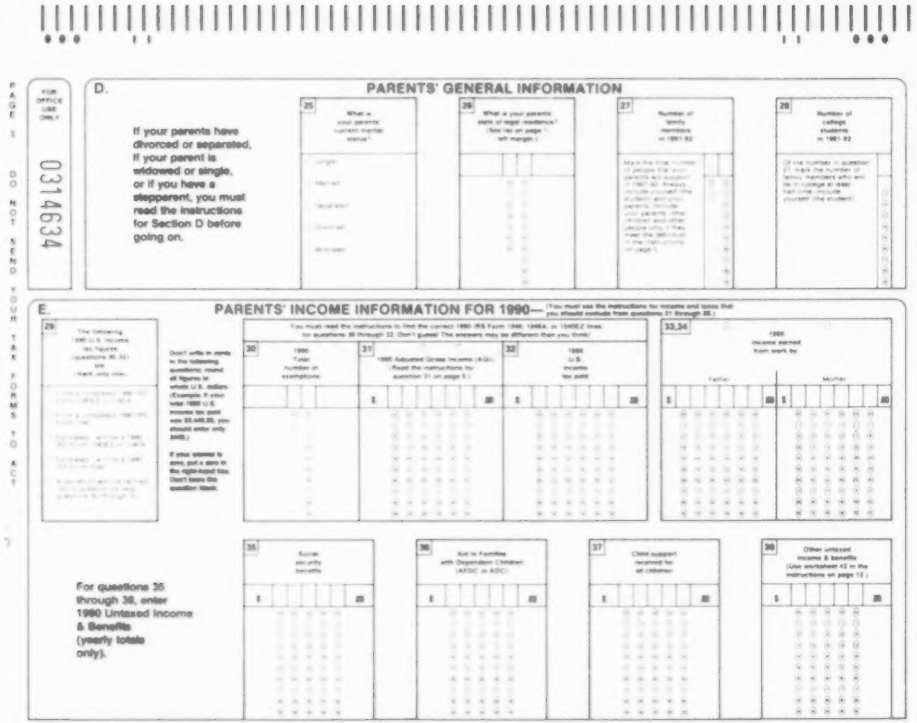

PAGE 3 DO NOT SEND YOUR TAX FORMS TO ACT

FOR OFFICE USE ONLY 0314634

D. PARENTS' GENERAL INFORMATION

If your parents have divorced or separated, if your parent is widowed or single, or if you have a stepparent, you must read the instructions for Section D before going on.

25 What is your parents' current marital status?

26 What is your parents' state of legal residence? (See list on page 1 left margin.)

27 Number of family members in 1991-92

28 Number of college students in 1991-92

E. PARENTS' INCOME INFORMATION FOR 1990 — (You must use the instructions for income and taxes that you should include from questions 31 through 38.)

29 The following 1990 U.S. income tax figures (questions 30-32) are (mark only one):

Don't write in cents in the following questions; round all figures to whole U.S. dollars. (Example: If your total 1990 U.S. income tax paid was $3,449.25, you should enter only 3449.)

If your answer is zero, put a zero in the right-hand box. Don't leave this question blank.

You must read the instructions to find the correct 1990 IRS Form 1040, 1040A, or 1040EZ lines for questions 30 through 32. Don't guess! The answers may be different than you think!

30 1990 Total number of exemptions

31 1990 Adjusted Gross Income (AGI) (Read the instructions for question 31 on page 1.)

32 1990 U.S. income tax paid

33,34 1990 income earned from work by Father / Mother

For questions 35 through 38, enter 1990 Untaxed Income & Benefits (yearly totals only).

35 Social security benefits

36 Aid to Families with Dependent Children (AFDC or ADC)

37 Child support received for all children

38 Other untaxed income & benefits (Use worksheet #3 in the instructions on page 12.)

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951

952

PAGE 4 DO NOT SEND YOUR TAX FORMS TO ACT

F. STUDENT'S (& SPOUSE'S) INCOME INFORMATION FOR 1990—All students must complete this page.

(You must see the instructions for income and taxes that you should exclude from questions 41 through 46.)

39 The following 1990 U.S. income (in figures) questions 40-42) are: (mark only one)

Don't write in cents in the following questions; round all figures to whole U.S. dollars. (Example: If your total 1990 U.S. income tax paid was $2,449.36, you should enter only 2449.)

If your answer is zero, put a zero in the right-hand box. Don't leave the question blank.

You must read the instructions to find the correct 1990 IRS Form 1040, 1040A, or 1040EZ lines for questions 40 through 42. Don't guess! The answers may be different than you think!

40 1990 Total number of exemptions

41 1990 Adjusted Gross Income (AGI) (Read the instructions for question 41 on page 6.)

42 1990 U.S. income tax paid

43,44 1990 income earned from work by: Student | Spouse

1990 untaxed income and Benefits (yearly totals only)

45 Social security benefits

46 Aid to Families with Dependent Children (AFDC, or ADC)

47 Child support received for all children

48 Other untaxed income & benefits (Use worksheet #2 in the instructions on page 12.)

G. FEDERAL STUDENT AID RELEASE

49 a. Do you give ACT permission to send information from this FFS to the U.S. Department of Education? (Answer Yes if you want to be considered for a Pell Grant and other Federal student financial aid.) Yes / No

Note: Answer Yes if you want ACT to send information from this FFS to the U.S. Department of Education. If you answer No to this question, ACT will not send it to "No."

b. Do you give the U.S. Department of Education permission to send family and financial information from this FFS to the financial aid agencies in your state? Yes / No

Note: By answering Yes, you are not applying for college aid in some states. Some agencies may use the FFS and require that you have an ACT report sent to them. (See instructions on page 6.)

c. Do you give the U.S. Department of Education permission to send family and financial information from this FFS to the college(s) or its representative(s) listed in question 50? Yes / No

Note: By answering Yes, you are not applying for college aid in some states. Some colleges may use the FFS and require that you have an ACT report sent to them. (See instructions on page 6.)

d. Mark this oval if you give the Selective Service permission to register you.

Note: If you want to register with Selective Service during this time, you must answer Yes. This includes men age 18 or older. (See instructions on page 6.)

G. COLLEGE RELEASE

50 What college(s) do you plan to go to in '90 - '91? (see the ACT code listing in the instruction booklet.)

1st College Choice	2nd College Choice	3rd College Choice

Certification and Signatures—(Everyone giving information on this form must sign below. If you don't sign this form, it will be returned unprocessed.)

51 Signature: Read certification at right before signing. The student must sign. If page 2 is filled out, at least one parent must also sign. If student has no parent, spouse must sign.

CERTIFICATION: I certify that the information on this form is true, correct, and complete to the best of my knowledge and belief. I understand that any false information may subject me to penalties.

52 The date this form was completed: Month / Day / Year

IMPORTANT

You must read the instructions on page 7 in the instruction booklet to see if you need to fill out pages 5-8.

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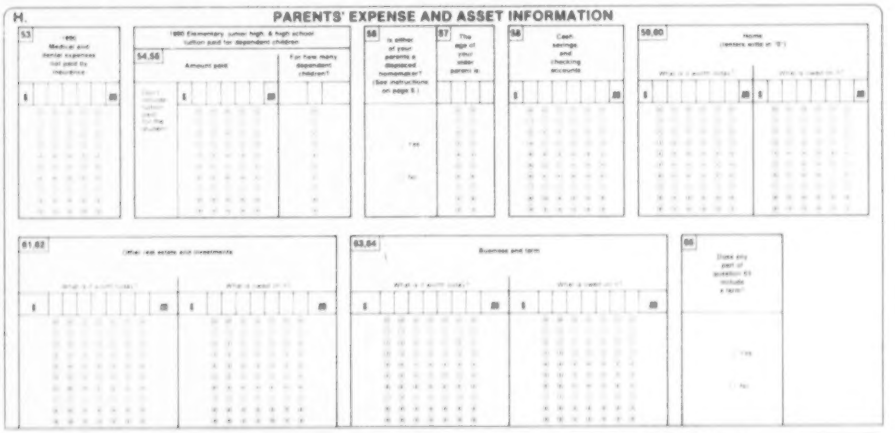
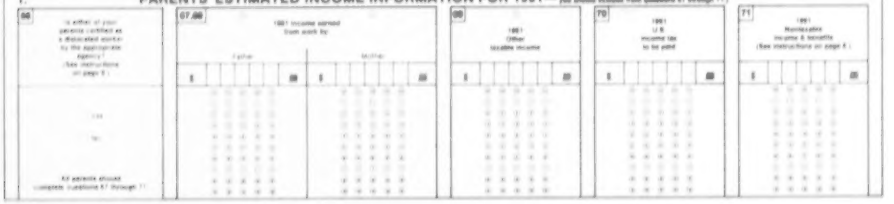
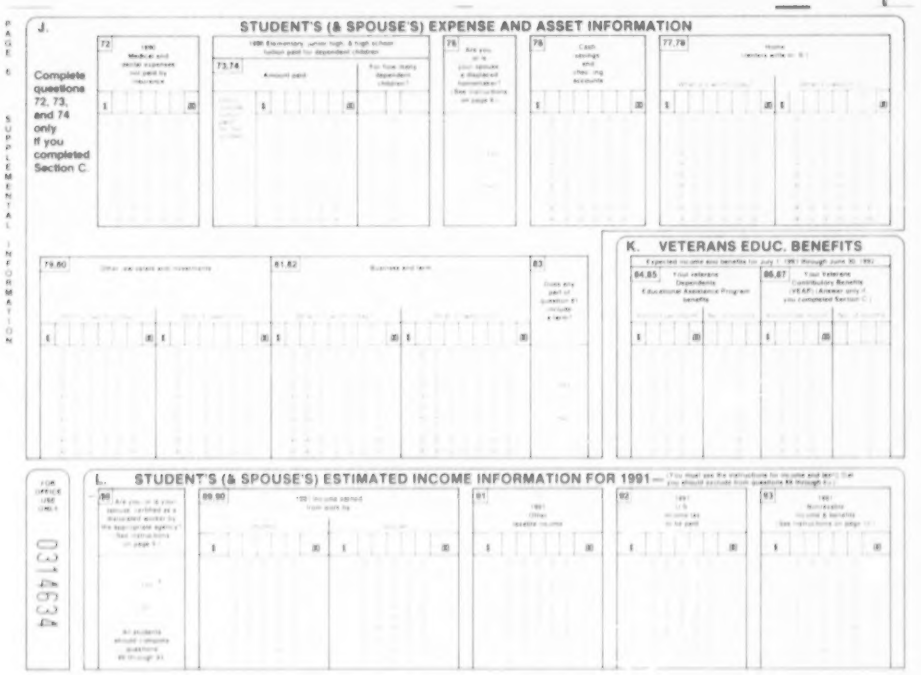
SUPPLEMENTAL INFORMATION

H. PARENTS' EXPENSE AND ASSET INFORMATION



I. PARENTS' ESTIMATED INCOME INFORMATION FOR 1991 —




PAGE 6 SUPPLEMENTAL INFORMATION
J. STUDENT'S (& SPOUSE'S) EXPENSE AND ASSET INFORMATION
Complete questions 72, 73, and 74 only if you completed Section C.
72
73,74
75
76
77,78
79,80
81,82
83
K. VETERANS EDUC. BENEFITS
84,85
86,87
L. STUDENT'S (& SPOUSE'S) ESTIMATED INCOME INFORMATION FOR 1991
89
89,90
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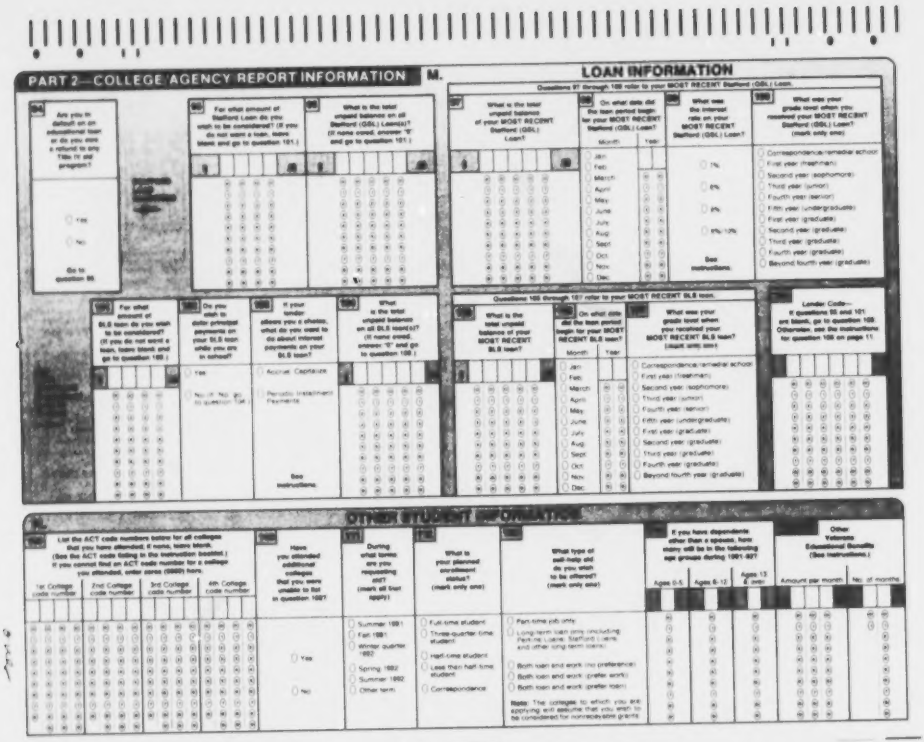
93


PART 2—COLLEGE AGENCY REPORT INFORMATION
M.
LOAN INFORMATION
Questions 97 through 108 refer to your MOST RECENT Stafford (GSL) Loan.
Questions 105 through 107 refer to your MOST RECENT SLS loan.
OTHER STUDENT
Yes
No
Go to question 99
See instructions.
Jan
Feb
March
April
May
June
July
Aug
Sept
Oct
Nov
Dec
Correspondence/remedial school
First year (freshman)
Second year (sophomore)
Third year (junior)
Fourth year (senior)
Fifth year (undergraduate)
First year (graduate)
Second year (graduate)
Third year (graduate)
Fourth year (graduate)
Beyond fourth year (graduate)
Part-time job only
Both loan and work (no preference)
Both loan and work (prefer work)
Both loan and work (prefer loan)
Amount per month
No. of months

PAGE 8

O. REMINDERS

ABOUT COMPLETING THE FFS:

- Make sure the information on page 1 of the FFS has been entered and the ovals have been blackened accurately. Remember, reports from ACT will be sent to the address you list on page 1.
- Make sure you are considered for all the money for which you qualify. You are encouraged to apply for Federal student aid by answering "Yes" to question 49a.
- Make sure every question has been answered except those you have been told to skip.
- Make sure there are no notes or stray marks on the FFS and do not write in sections you were told to skip. If you erased any oval, make sure the oval for the correct answer or the zero oval has been blackened in that column. Also, make sure that the correct ovals were blackened for every question you answered.

ABOUT DEPENDENCY STATUS:

- Be sure that all student status questions that apply to you on page 2, Section B, have been answered. These questions will determine your dependency status and tell you which sections of the FFS to complete.

ABOUT CODE NUMBERS:

- Make sure you have chosen the correct code numbers from the *ACT FFS Instructions and Code Listing Booklet*. Make sure you complete questions 50 and 109. Also, be sure to **repeat** the codes you listed in question 50 again in question 117 if you want ACT reports sent to any colleges/programs.

ABOUT SIGNATURES:

- Make sure the required signatures are present in question 51 or the FFS will be returned to you. The student must always sign. If page 3 is completed, at least one parent must sign. If the student is married, the spouse must also sign.

ABOUT MAILING YOUR FFS TO ACT:

- Do not send letters, tax forms, college forms, or extra material to ACT. Mail only the completed FFS and fee (if you completed page 6).
- Keep the instruction booklet. You may need to refer to it later.
- Make sure you mail your FFS by regular first class mail. (Special handling such as registered, certified, or express mail will delay processing of your form.)

ABOUT REPORTS AND FEES:

- If you answer "Yes" to question 49a, ACT will send you a Student Aid Report (SAR) after your FFS has been processed.
- ACT reports (called CFARs) will be sent to the colleges/programs listed in question 117 if the appropriate fee is submitted.
- ACT will send you a CFAR if you answer "Yes" to question 118 and you submit the appropriate fee.
- ACT will also send you an "ACT Report Request" form which you may use to later request additional or corrected CFARs.
- Make sure you include the correct fee for all reports requested in questions 117 and 118.
- If you complete page 6, remember to complete the "FEES" box (Section Q). This will tell you what fee to enclose.
- Make sure you check the appropriate fee box on the back of the FFS envelope. This will speed up the processing of your FFS.
- Make your personal check or money order payable to ACT. DO NOT send cash or coins.

ACT is a processing service only. ONLY colleges and/or programs can determine the amounts and types of financial aid for which you may qualify. If you request and pay for reports, ACT will send your colleges/programs an analysis they will use to determine your financial aid.

P. REQUEST FOR ACT REPORTS

117

If you want ACT reports sent directly to any colleges, agencies, or programs, list the ACT code numbers from the instruction booklet. Generally, you will want to include the same college codes you listed on page 4, question 50.

1st Code choice				2nd Code choice				3rd Code choice				4th Code choice			
0 0 0 0				0 0 0 0				0 0 0 0				0 0 0 0			
1 1 1 1				1 1 1 1				1 1 1 1				1 1 1 1			
2 2 2 2				2 2 2 2				2 2 2 2				2 2 2 2			
3 3 3 3				3 3 3 3				3 3 3 3				3 3 3 3			
4 4 4 4				4 4 4 4				4 4 4 4				4 4 4 4			
5 5 5 5				5 5 5 5				5 5 5 5				5 5 5 5			
6 6 6 6				6 6 6 6				6 6 6 6				6 6 6 6			
7 7 7 7				7 7 7 7				7 7 7 7				7 7 7 7			
8 8 8 8				8 8 8 8				8 8 8 8				8 8 8 8			
9 9 9 9				9 9 9 9				9 9 9 9				9 9 9 9			
	If 1st code choice is a college where will you live? (mark one)				If 2nd code choice is a college where will you live? (mark one)				If 3rd code choice is a college where will you live? (mark one)				If 4th code choice is a college where will you live? (mark one)		
	With parents				With parents				With parents				With parents		
	Campus housing				Campus housing				Campus housing				Campus housing		
	Off campus				Off campus				Off campus				Off campus		

118 Do you want to request an ACT report for yourself?

☐ Yes

(See instructions on page 11.)

Q. FEES

Complete the boxes below to determine the total fee you need to submit.

+ ☐ Write in the number of codes you listed in question 117.

+ ☐ Write in 1 if you marked "Yes" to question 118.

= ☐ Total reports requested

Total reports requested	Fee this amount
1	$ 5.50
2	$ 8.50
3	$11.50
4	$14.50
5	$17.50

(Check the box on the back of the envelope for the total fee you are submitting.)

R. Student's Name

Enter your (the student's) first and last name below.
Note: This will be used to match the pages of the FFS if they become separated.

First Name (Please Print)

Last Name (Please Print)

NOTE ABOUT SIGNATURES: The signatures on page 4 certify that you have read and understand the FFS instruction booklet and that all of the information on this form, including information provided on pages 5 through 8, is accurate and complete.

906

961

962

Priorities for the 1990s:
Recommendations for Reauthorizing the Higher Education Act of 1965

A Report to the Congress of the United States

Advisory Committee on Student Financial Assistance

March 1991

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FOREWORD

The Higher Education Act (HEA) underpins our nation's commitment to educational opportunity. Since the passage of the HEA in 1965, the federal student financial assistance programs created by Title IV of the HEA have grown dramatically, from $200 million in 1965-66 to more than $18 billion in 1988-89. This growth in student assistance has supported unprecedented enrollments at postsecondary education institutions. Despite this, concern persists about access and choice for students, especially low-income and minority students.

Congress responded to concerns about access and the increasing complexity of the programs and delivery through the Higher Education Amendments of 1986. In this reauthorization of the HEA, Congress created the Advisory Committee on Student Financial Assistance to ensure that the programs continue to meet their critical goals. The Advisory Committee's most important charge is "to make recommendations that will result in the maintenance of access for low- and middle-income students."

The Advisory Committee structure reflects the diversity of the contemporary financial aid community. College presidents, financial aid administrators, educational association executives, bank officers, guaranty agency executives, state higher education officials, and students have served on the Committee. Members are appointed by the leaders of the United States Senate, the House of Representatives, and the Secretary of Education on the basis of technical expertise and knowledge of student aid and educational policy. The eleven members serve in staggered terms of three years. These members, who are quoted throughout this report, as well as former members and Committee staff, are listed on pages 23 and 24.

The Advisory Committee's members are dedicated to strengthening the federal student aid programs to ensure equal opportunity through access to postsecondary education. Despite the impressive growth of the programs and postsecondary enrollment, more must be done to assure the most disadvantaged that access to postsecondary education is meaningful and real. This report presents the Committee's recommendations for the reauthorization of the Higher Education Act of 1965.

INTRODUCTION

In 1989, Congress asked the Advisory Committee on Student Financial Assistance to identify and explore issues for consideration during the forthcoming reauthorization of the Act. Through an 18-month-long series of activities in which information was collected and analyzed, the Advisory Committee has uncovered three pervasive problem areas that impede both the implementation of the statute and the effectiveness of the Title IV programs. Addressing these problems will markedly improve access to postsecondary education, delivery of federal student aid funds, and the acquisition and analysis of data necessary to evaluate and enhance program performance.

Most profound among the problems detected by the Committee is that federal efforts to promote ***equal access to postsecondary education*** by low-income, disadvantaged and minority youth have stalled. Despite the dramatic growth of student assistance, which has supported unprecedented enrollments at postsecondary educational institutions, concern about access for these at-risk groups of students persists. The Title IV programs have succeeded in supporting entry to higher education for traditional, college-bound students. The Committee is persuaded, however, that a new commitment to at-risk students with demonstrably effective strategies is required to produce results by the year 2000.

The ***delivery system*** that confronts all college-bound youth and adults remains too complex. More important, this complexity serves as a significant barrier to access, most particularly for the at-risk population. Despite previous improvements enacted by Congress during the last reauthorization, ambiguities in the delivery system, particularly concerning features of the application process, thwart implementation of these improvements and sustain a complexity that does not serve poor or middle-income students. The Advisory Committee concludes, therefore, that the changes to the delivery system enacted through the Higher Education Amendments of 1986 must be fully implemented and that new initiatives to simplify further must be undertaken.

"One of the commitments that Committee members made at our first meeting, and have steadfastly maintained to this day, is frequent communication with the Congress, the Department of Education and the community. This communication has been a critical component of the Committee's reauthorization process."
James R. Craig

The Advisory Committee also is concerned that the ability of the Department of Education to acquire, access, and analyze data about important issues facing the Title IV programs has deteriorated appreciably in recent years, due both to underfunding and lack of coordination. This deterioration inhibits the ability to address *critical issues*, particularly those related to access, the loan programs *generally* and loan default specifically. The studies performed by the Department of Education have tended to be retrospective, rather than dealing prospectively with emerging issues. Adjustments to the Department of Education's existing analytical infrastructure, which supports data collection and analysis, are likely to require too much time and may prove inadequate. The Committee is persuaded that a bolder, more deliberate, and more highly focused approach--prospective in character--is required to address critical issues.

The pending reauthorization of the Higher Education Act provides Congress with an opportunity to respond to emerging challenges by building on the advances it made with the passage of the Higher Education Amendments of 1986. The Advisory Committee has constructed its recommendations to Congress so that important problems can be addressed through statutory changes--which the Advisory Committee will propose.

ACCESS

The traditional federal approach to access conflicts with the true nature of the problem of access to postsecondary education for low-income, disadvantaged and minority students. The federal approach is predicated on the assumption that reducing financial barriers through student aid funds will achieve equal access to postsecondary education for target populations. In reality, numerous other obstacles create serious, often insurmountable barriers for poor and minority students.

Department of Education policies and strategies are underpinned by an approach that *defines access as* a sufficiency of financial resources to pay for postsecondary education; this approach is too limited to be effective. Three operational dimensions of the access problem result from this conceptual one. First, the Department of Education is unable to assume an appropriate leadership role either in establishing access goals, or in *implementing new initiatives* to attack the problem of inadequate access. Second, the *research* conducted by the Department of Education on access is inadequate because it fails to adequately measure participation rates and ignores major factors contributing to participation. Finally, federal efforts to *disseminate information* about the Title IV financial aid programs do not recognize the array of factors appearing along the educational continuum that prevent entry into postsecondary education for students from at-risk families.

Redefining Access Goals

Recent data indicate that significant shortfalls in postsecondary participation among low-income, disadvantaged and minority students persist and are becoming even more severe. For example, Figure 1 on page 5 indicates that participation rates for minorities, which were approximately equal in 1976, are now about ten percentage points lower than white participation rates. The Advisory Committee is convinced that the Department of Education's current definition of access to postsecondary education, which simply focuses on reducing financial barriers to postsecondary education, will not reduce these shortfalls.

Although central to providing access for college-bound students, the current definition fails to take into account other critical factors that diminish access to postsecondary education for at-risk populations. These factors include: inadequate academic

"There can be a tendency in the face of such significant factors as poverty and unemployment--and the realization that we are currently spending tens of billions of dollars and face a serious budget deficit in Washington--to resign one's self that there is little that can be done that is politically feasible to equalize access. We cannot fall into this trap."
Stanley T. Kaplan, Chairman

"Too few disadvantaged and minority students are graduating from high school--even fewer are entering and graduating from college. Current strategies and policies are inadequate to reverse the trend." Ramona O. Liston

preparation, low aspirations and self-esteem, and inaccurate information about college requirements, costs of attendance and availability of financial aid. Such barriers operate in a variety of ways throughout the educational sequence with profoundly negative implications for participation of at-risk populations.

Unfortunately, the prevailing federal definition of equal access utilizes primarily one necessary, but not sufficient, strategy for assuring access--that is, using student aid programs to lower financial barriers. This strategy ignores substantial shortfalls in participation rates as an indication of unequal access.

As a result, the Department of Education has not taken certain essential actions to address the range of obstacles to access. For example, an adequate system does not exist for tracking target populations as they proceed through key stages in the educational sequence. In addition, effective monitoring and evaluation of the Title IV programs are virtually nonexistent. Because these data are unavailable, the Department of Education has been unable to quantify targets, to plan and initiate appropriate policies, or to make purposeful refinements to the programs at the federal level. Furthermore, regular progress reports from the Secretary to the Congress on movement toward a fundamental federal goal are notably absent.

In light of the problems related to the definition of access goals, the Advisory Committee recommends that the Congress take the actions presented in Exhibit 1.

Implementing New Initiatives

In general, federal policymakers have been reluctant to acknowledge the inadequacy of current federal programs and strategies. For any substantive progress to be made toward equality of access, however, it is essential that the Department of Education take a strong advocacy position on behalf of needy students, especially at-risk populations. In assuming such a leadership role, the Department of Education would be better able to pursue and implement programmatic changes that would meet stated access goals.

In recent years, with the exception of modest changes, the Department of Education has not undertaken programmatic initiatives aimed at expanding access for low-income, disadvantaged

Exhibit 1

Advisory Committee Recommendations to Congress
Redefining Equal Access Goals

Restructure the federal definition of access to take into account serious shortfalls in participation rates among at-risk groups; in addition, the definition must recognize the sequential character of educational processes and decisionmaking.

Direct the Secretary of Education to establish a system for tracking cohorts of students as they move through the educational sequence, and for evaluating programs in minority participation and graduation rates against specified policy goals.

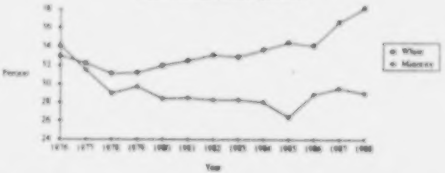
Direct the Secretary of Education, in case of significant shortfalls in disadvantaged and minority participation, to develop specific, national targets for increasing participation rates as well as a schedule for doing so.

Direct the Secretary of Education to develop a comprehensive and specific plan containing modifications to current programs and strategies or new initiatives that will achieve these targets and link these changes to expected improvements in participation rates.

Require the Secretary of Education to report to Congress annually on the progress achieved in reaching each yearly target.

Figure 1

Higher Education Participation Rates of High School Graduates by Year (Minorities and Whites Ages 18-24)[1]



1. Minorities Include African Americans and Hispanics

Source: U.S. Department of Commerce, Bureau of the Census, "Current Population Reports," Series P-20, various years

910
933
970

"Short-term studies of underparticipation that go nowhere and long-term studies that postpone the application of promising treatments are clearly unacceptable. The Committee is persuaded that a large scale national demonstration project that generates data and capitalizes on what we already know to be effective is required and must emerge from this reauthorization process."
Lynn M. Burns

and minority populations. Nor has the Department, in the Committee's view, made significant attempts to integrate, coordinate and provide incentives to states and institutions to participate fully in these efforts. The TRIO programs, which constitute the Department of Education's early information and outreach programs under Title IV, are illustrative of the current situation and provide an opportunity for substantial improvements.

TRIO provides a range of academic and support services to high school and college students. Although the programs have complementary objectives and appear to offer a continuum of services, the results in practice are quite different. There are four important aspects to this deficiency, related in part to funding limitations.

First, there is no adequate mechanism for coordinating federal programs to ensure a sequence of age-appropriate services for students throughout the educational process. There is no consistent coordination of the TRIO programs with potentially interrelating services extended by institutions and states. Second, TRIO only reaches a fraction of the eligible population. By one estimate, a needy youth has less than a 1-in-20 chance of being served by just one of the programs, and a significantly smaller likelihood of being served by more than one of these sequential programs (e.g., Upward Bound precollege program and Student Support Services, a college program).

Third, TRIO services do not reach most eligible students soon enough to increase their propensity *and* their ability to pursue a college education, despite a body of research and emerging consensus that reaching students early in the education process improves access. Because of heavy demands upon the TRIO programs, resources tend to be concentrated on high school juniors and seniors, whose attitudes, academic orientation and study habits are, for the most part, already formed. In contrast, less than 2% of TRIO funds are earmarked for middle school- or junior high school-aged students, which represent pivotal ages for young people making decisions about participation and for acquiring the necessary skills for success in postsecondary education.

Finally, a system does not exist within TRIO to generate data from the programs that would inform policymakers and educators in an ongoing and dependable fashion. Certain data would be invaluable in modifying TRIO to meet federal access goals. Such data would

Exhibit 2

Advisory Committee Recommendations to Congress
New Initiatives To Equalize Access

Amend the Higher Education Act to include a finding asserting federal responsibility for overcoming the effects of the major causes of underparticipation. The Act should acknowledge that low-income, disadvantaged and minority enrollment rates have stalled and in fact are in danger of falling; and that differentials between white middle- and upper-income enrollment rates and those of disadvantaged students have widened.

Increase funding of the TRIO programs to expand the number of students that can be served, with additional funds targeted on those in 7th and 8th grade, who are eligible but not currently served by the TRIO programs.

Direct the Department to initiate immediately a national demonstration project that will expand and integrate the TRIO programs. This project should identify currently eligible 7th or 8th grade low-income, disadvantaged and minority students and track them along the educational continuum by providing:

- *Early information about their drawing power from federal financial aid programs;*
- *Early need assessment;*
- *Linkages with existing state and institutional early intervention programs;*
- *Incentives to encourage participation by both students and mentors in the form of Congressional scholarships; and*
- *Participation of Congressional Scholars in the national demonstration project that will also include academic enrichment, mentoring, counseling on admissions requirements and financial aid application processes, and summer residential experiences on a college campus.*

Provide a mechanism for incorporating measures that prove effective in the demonstration project into TRIO programs in general, so that by the year 2000 the TRIO programs will be a coordinated and integrated program that can demonstrate its effectiveness and modify its approach on an on-going basis with the data it generates.

include postsecondary school participation rates of TRIO beneficiaries, the effectiveness of specific TRIO components, and the outcomes for TRIO students who do not attend college. The Committee recommendations for implementing new initiatives are presented in Exhibit 2.

"I am not sure whether it's the structure of the current federal effort or the level of resources devoted to it--or both--that is the obstacle to solving the problem of underparticipation. One thing is clear, however. To the extent that this problem is a national one and directly challenges a key federal role, it is incumbent on the federal government to make it a top priority, find out what policies work, and stimulate the implementation of them before it is too late."
S. Anne Hancock

Revitalizing Research on Access

Federal measurements of participation rates and factors contributing to participation are based on inadequate data sources that do not monitor outcomes in relationship to goals. Key databases no longer provide sufficiently comparable data, longitudinal efforts are conducted at intervals that are too infrequent to be useful, and sample sizes for low-income, disadvantaged and minority populations are too small to draw policy conclusions. As a result of these inadequacies, federal measures concerning factors associated with underparticipation are superficial and conflicting.

In sharp contrast, the Advisory Committee has observed that when the federal government is truly concerned about a specific issue, it establishes shorter, highly targeted, annual surveys or conducts a census. The annual *High School Senior Survey* is a case in point. Now in its 16th year, this survey is sponsored by the National Institute on Drug Abuse to gather detailed information about drug use among high school students. In addition, the federal government collects monthly counts on unemployment claims because claims are a critical indication of the health of the economy. The Advisory Committee found that accurate, timely information on participation rates, non-persisters and other dimensions of the access problem are as vital to the national interest as data on drug use among young people and employment in the workforce.

Improving Information Dissemination

The Advisory Committee has found that the amount and quality of information that students and families possess about college costs and the availability of federal financial aid are woefully inadequate. This is particularly true for at-risk populations. Further, the professionals who serve these at-risk populations lack adequate information. This lack of information interacts with continual news coverage of budget battles, rising institutional costs, and skirmishes over the legality of minority scholarships, to generate confusion among students and families from target groups. Thus, these at-risk populations are left with the impression that postsecondary education is out of their grasp, because educational costs are beyond their means. Equal access to postsecondary education clearly is not served by such misinformation, that seriously undermines the efforts of many dedicated professionals.

The message and the medium must change, if federal information dissemination efforts are to be effective. This is especially important because of the penchant of the popular press to describe college costs in terms of the most expensive schools in the country, rather than in terms of average costs or costs of attendance at public institutions, and the effects of financial aid on those costs. In addition, persons who serve as providers of information to students--such as high school counselors, TRIO staff and community volunteers--currently do not possess sufficient knowledge about the financial aid programs to provide necessary guidance for students along the educational continuum. Their circumscribed awareness of student assistance also hinders their ability to advise students on the advantages of recent and prospective efforts to simplify the financial aid process. Committee recommendations for improving information dissemination are presented in Exhibit 3.

"Early information programs and interventions play very important roles in increasing the participation of disadvantaged and minority students in postsecondary education. Such interventions cut across several levels of education and require integration and coordination to be effective."
David K. Maleh

Exhibit 1

Advisory Committee Recommendations to Congress
Revitalizing Federal Research and Outreach Efforts

In research, direct the Secretary to:

Design and implement a special purpose survey of participation and its underlying factors for the at-risk population with particular attention to emerging trends.

Refocus research, concentrating on short-term studies aimed at specific cohorts of low-income, disadvantaged and minority youth.

Evaluate the impact of the Title IV programs on specific populations.

In outreach, direct the Secretary to:

Restructure federal strategies for information dissemination and early outreach to clearly communicate the amount of federal, state and institutional aid that low-income, disadvantaged or minority high school freshmen would qualify for if they finished high school in a college preparatory program.

Allocate sufficient resources for training of high school guidance and TRIO staffs to promote the understanding among low-income, disadvantaged and minority populations that funding for postsecondary education is sufficiently available to assure access.

DELIVERY OF STUDENT AID: MODELS, FORMS AND PROCESSES

Currently, the complex system of determining eligibility and awarding student financial aid simply confounds many students and families, particularly students and families from at-risk populations. Despite progress made by Congress to simplify the process, both the need analysis models and the delivery system remain unnecessarily complex. In part, this is due to ambiguities in the system that unintentionally focus on data collection and need analysis issues relating to higher-income financial aid applicants.

Multiple need analysis models still exist under both the Pell Grant formula and the Congressional Methodology (CM), despite evidence that integration of the simple Pell and CM models could be accomplished without significant budgetary or redistributive effects. As for the ***application*** process, forms have been restructured but are still too complex for students from families with limited means. ***Reapplication*** is an unnecessarily duplicative and burdensome process for students especially when there is little change in family circumstances. Despite the obvious benefits of ***free federal delivery***, the free federal form and simplified need analysis are not being fully used. And finally, ***the need analysis formulas***, which have not undergone any changes since the Higher Education Amendments of 1986, could be more effective with some additional technical modifications.

The Committee proposes changes in several areas of the current federal need analysis and delivery system. Taken together, these changes, if implemented, would make the process of applying for federal financial aid less burdensome for students, especially those from low-income and middle-income families. The Committee believes these modifications can be put into place without incurring major budgetary and redistributive effects, jeopardizing the accuracy of applicant data, increasing administrative burdens for institutions or undermining the integrity of the delivery system.

Eliminating Multiple Need Analysis Models

Currently, students applying for financial aid are faced with multiple need analysis models and results. Despite using the same data, the Pell Grant formula and the Congressional Methodology

(CM) generate two divergent expected family contribution figures--the Pell Grant Index (PGI) and the Congressional Methodology's Family Contribution (FC).

However, data in Figure 2 show that integration is clearly feasible. For low-income students qualified for simplified need analysis as well as middle- and upper-income students, the two models produce parallel results--the difference is due largely to the CM's minimum student contribution. These data suggest that a hybrid model with a simple version for low-income students can be identified and implemented with minimal budgetary and redistributive impact. Exhibit 4 presents the Committee's recommendation concerning integration of the Pell and Congressional Methodology Formulas.

Simplifying Application and Reapplication

The Congress chose to take significant action to simplify need analysis and the delivery system with the passage of the Higher Education Amendments of 1986. Although progress has been made toward simplification, complexity still prevails. Addressing certain issues and ambiguities surrounding the models and processes will reduce the current level of complexity, especially for low-income and disadvantaged students and even for middle-income students. These issues include further simplification of application requirements, extending the income cap for eligibility under simplified need analysis, and streamlining reapplication.

One major advance toward achieving congressional intent with regard to simplification was made by the Department of Education, when it separated the federal data elements in 1990-91 into a unified "federal core" on all the multiple data entry processor (MDE) application forms. This action facilitated the implementation of simplified need analysis--a formula requiring fewer data elements--for eligible students by placing the federal data elements for the simple needs test in the front section of the core. However, for students from indigent populations, the data requested are still too complex and irrelevant for the purpose of determining expected family contribution.

The Advisory Committee has identified, through structural examination of the need analysis formulas and available data, at least two segments of the applicant population who have zero or near-zero family contributions *regardless of formula*. Dependent

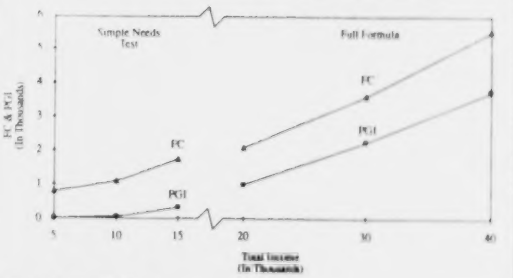
Exhibit 4

Advisory Committee Recommendations to Congress
Integrating Need Analysis Models

Integrate the Pell Grant formula and the Congressional Methodology by using one of the existing formulas as a foundation. If integration is judged not to be feasible for all applicants, integrate the simplified needs test.

Figure 2

Average Pell Grant Index (PGI) and Congressional Methodology Family Contribution (FC) for the Simple Needs Test and Full Formula by Income for Dependent Applicants in the 1988-89 Award Year



Source: U.S. Department of Education

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"Perhaps the greatest opportunity for simplifying processes lies in the area of reapplication. Technology is available to improve the process for all parties--students, institutions, states and the federal government."
Ashley L. Barron

students with parents' current adjusted gross income of $9,000 or less ($10,000 for the 1993-94 academic year), and students who participate in AFDC/ADC constitute two of these segments. Reducing application requirements as a means of reducing complexity for these students will not produce budgetary or redistributive distortions, if eligibility criteria for simplified need analysis are used as a screening device.

Consideration of other populations--such as low-income independent students, students receiving benefits from other public assistance programs, and families with current incomes slightly higher than $9,000--also is appropriate. However, the data obtained by the Advisory Committee are insufficient to assure that implementation for these other groups will not create unintended budgetary or redistributive effects.

Expanding eligibility under simplified need analysis presents another means of reducing current complexities and ambiguities. Currently, families with incomes above $15,000 are not eligible for simplified need analysis, and must provide data for analysis under the full formulas. As a result, lower-middle and middle-income families must submit asset information on the application, even though their assets--other than the family home, perhaps--are non-existent or nominal. IRS data obtained by the Advisory Committee show that most 1040A and 1040EZ filers earn less than $500 from investments for incomes as high as $30,000 and $40,000, thus illustrating that the assets for these populations are negligible. Nonetheless, the full need analysis will take equity on family home into account, which can increase the expected family contribution for some beyond their ability to provide support.

Reapplication for continuing students represents perhaps the most significant redundancy in the current system. For example, Department of Education data show that over 50% of the students eligible for Pell Grants in 1988-89 reapplied in 1989-90, with calculated contributions changing minimally for many students across income ranges. Most low-income students, AFDC recipients, non-federal tax filers, and filers of simple federal tax returns experienced virtually no change. Streamlining reapplication--that is, permitting continuing students to update existing data--would have a powerful effect on simplifying the delivery system for all students, especially for low-income populations.

Exhibit 5

Advisory Committee Recommendations to Congress
Simplifying Application and Reapplication

Further simplify application requirements for: (a) all students who are AFDC/ADC recipients; (b) students whose parents' adjusted gross income is $10,000 or less.

Extend eligibility under simplified need analysis for parents of dependent students and for independent students to at least $20,000 adjusted gross income (adjusted annually), subject to existing criteria; consider further extending the income cap to a level as high as $30,000.

Direct the Secretary to determine if the application procedures for additional categories of applicants should be simplified, including: (a) independent students based on income; (b) applicants who are not required to file federal tax returns; and (c) students receiving benefits from other human resource programs.

Direct the Secretary to begin simplifying the reapplication process by:

- ***Initiating a pilot reapplication project using the Stage Zero electronic data exchange; and***
- ***Developing other procedures for streamlining to accommodate institutions without the resources for electronic submission of data.***

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"Unless states and institutions join with the federal government in this initiative, it won't go very far. If state delivery mechanisms are very complex, or if institutions insist on getting as much data from poverty-stricken families as they do from relatively wealthy families, federal efforts to simplify will ultimately fail."
Joseph L. McCormick

The present technology is sufficient to support such an effort, as demonstrated by the capabilities of Stage Zero--a special project sponsored by the Department of Education--which permits institutions to submit federal application data electronically to, and receive output from the Central Processing System.

By strengthening the process for initial applicants and using Stage Zero as a mechanism to produce "reapplications" to be transmitted directly to institutions from ED's database, the delivery system could function more efficiently while facilitating entry for students from disadvantaged populations.

With these changes, the Department of Education still would maintain primary responsibility for sustaining the application process. This would include a financial commitment to help sustain operational costs system-wide, such as support for data entry, line charges and sufficient dissemination and training opportunities for institutions. Exhibit 5 presents the Committee's recommendations related to simplifying applications and reapplications.

Promoting Full Implementation of Free Federal Delivery

Data suggest that very few low-income, disadvantaged and minority students who qualify for the simple needs test are using it. For example, the data in Figure 3 indicate that less than 17 percent of all applicants eligible to complete the simple needs test and less than eight percent of eligible MDE applicants actually filed the simple form. Most students from these populations still are processed under the complex forms and models; and many students continue to pay fees if they complete forms from certain MDEs. Anecdotal information suggests that even at community colleges in states that accept the federal core applicant data to deliver all types of aid, simplified and free need analysis is not being implemented. The same holds true at four-year public institutions, whose funds are derived predominantly from federal and state sources.

No data currently exist to explain why congressional intent is not being met in this regard. However, anecdotal information collected by the Advisory Committee suggests that both state and institutional data requirements, inadequate information about free federal delivery services, and unfamiliarity with the benefits of simplified need analysis on the part of high school counselors and some aid administrators may all play a role.

Exhibit 4

Advisory Committee Recommendations to Congress
Promoting Full Implementation of Free Federal Delivery

Direct the Secretary to strengthen and maintain the existing free federal delivery system by:

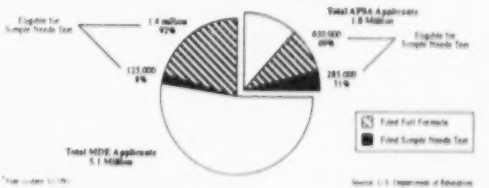
- *Creating incentives through the federal financial aid system for states and institutions to use federal need analysis;*
- *Delivering data to institutions at no cost;*
- *Evaluating all aspects of the federal delivery system and eliminating barriers to use of the free form and free federal delivery;*
- *Monitoring the use of free federal forms by institutions and MDEs through the Department's operating system, which is already in place;*
- *Obtaining auditable reports from MDEs to ascertain which students use only the federal form, thereby determining the extent to which students are paying fees; and*
- *Ensuring that MDE policies and practices, particularly relating to forms, support the free federal delivery system.*

Direct the Department to focus training explicitly on high school guidance counselors to help them identify students who are best served by the simplified need analysis structure.

Expand training for financial aid officers to maximize use of simplified need analysis and free federal delivery.

Figure 3

Number and Percent of Eligible Applicants Who Utilized the Simple Needs Test By Form Filed in Academic Year 1990-91*



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"Equity is a fundamental goal of federal need analysis models and processes. One of the Committee's primary concerns has been identifying and eliminating aspects of current models and processes that are not equitable."
James L. Flippin

Increasingly states and institutions are electing to use the free federal form and, accordingly, simplified need analysis. Utilization of free federal delivery seems to occur when parties have full information and understanding of the benefits and effects. However, the Department of Education does not seem to be encouraging or providing incentives for parties to follow suit.

Traditionally-aged students, especially from low-income populations, depend on high school guidance or other counselors for information on achieving access to postsecondary schools. Anecdotal information strongly suggests that these counselors are unaware of the advantages of the simple needs test for disadvantaged youth. These very important advisors also may operate under certain misconceptions about the need to complete the entire application, including those sections on forms from certain MDEs that require low-income applicants to pay a fee. Exhibit 6 presents the Committee's recommendations related to promoting full implementation of free federal delivery.

Improving Specific Need Analysis Features

The Advisory Committee's recommendations for changes in the delivery of student aid that the paper has addressed thus far are primary. If implemented, these proposals will greatly simplify the delivery system and ease access for low-income and middle-income students. Through its review of need analysis, the Committee also has identified additional issues specific to the need analysis formulas, which are technical in nature and appear to be representative of the concerns within the financial aid community.

The Committee also notes that no changes have been made to the need analysis formulas since the enactment of the Higher Education Amendments of 1986. The technical modifications proposed by the Committee and contained in Exhibit 7 are sure to have positive effects, but will not influence more basic concerns about access and delivery as profoundly as the other recommendations included in this report.

Exhibit 7

Advisory Committee Recommendations to Congress
Fine-Tuning Federal Need Analysis

Modify the independent student definition to: (a) eliminate the criterion for independence based on a $4,000 resource and tax exemption status; and (b) permit automatic independence to married students and graduate students.

Exclude non-need-based earnings for purposes of determining an overaward for College Work-Study funds.

Unify the various treatments of VA benefits by considering all VA benefits as resources.

Permit financial aid administrators to use professional judgment to make adjustments to the cost of attendance for food and shelter when the total income of an independent student with dependents is less than the standard maintenance allowance.

Eliminate the dislocated worker and displaced homemaker formulas from need analysis. Instead, permit financial aid administrators to use professional judgment to identify those who qualify, and permit the filing of Pell special condition application for such cases.

Reduce the Congressional Methodology's taxation rate on base-year income by 20 percentage points from current levels for dependent students and for independent students without dependents.

Adjust the CM treatment of married students without dependents to parallel the Pell Grant treatment.

Treat all savings plans and guaranteed tuition payment plans as a resource for the purpose of awarding Title IV aid.

Include in the number in college only those parents enrolled in degree or certificate programs and siblings enrolled at least half time.

Exhibit 8

Advisory Committee Recommendations to Congress
Critical Issues for Further Study

Explicitly recognize through the reauthorization of the Higher Education Act the need for new, independent studies targeted on the most critical policy areas.

Establish an independent, national commission to design and conduct necessary data collections and studies in critical policy areas. Such a commission should be provided a finite but adequate time period and adequate resources to complete these studies and report to Congress.

Direct the commission to study, among other topics:

- ***low-income participation;***
- ***loan default nature and causes;***
- ***loan burden and its effects;***
- ***integrity, quality and long-run value of educational programs; and***
- ***capability of accurately predicting loan default levels.***

CRITICAL ISSUES FOR FURTHER STUDY

Accurate and timely data and analyses are the cornerstones of sound educational policy and effective program design. During its deliberations the Committee was struck by the existence of a broad consensus. Most observers agree that Congress and the Department of Education do not possess, or cannot readily access, the data necessary to perform analyses of major issues affecting the integrity and stability of the Title IV programs--particularly the loan programs--during the 1990s. Two explanations have been offered for the apparent shortfall: inadequate funding of data collection, retrieval, and analysis at all levels of program management and policymaking; and lack of cooperation and coordination among entities responsible for planning, budgeting, evaluation, and research both inside and outside the federal government. Both explanations seem plausible to the Committee, appear to be systemic in character, and lead to the conclusion that progress in addressing ***critical issues*** probably requires a new approach.

While the Committee confronted data and study limitations that precluded recommendations in several areas, the following issues appear to be the most critical and most in need of fresh and independent examination:

- Factors affecting the ***participation of the at-risk population*** in postsecondary education, and the design of effective strategies to overcome those factors;
- The nature and causes of ***loan default*** and its impact on program stability, as well as the impact of recent program changes on default rates;
- The effects of ***loan burden*** on enrollment and persistence of both low-income and middle-income students, and its impact on entry into and completion of graduate and professional education; and
- The integrity, quality, and long-run value of ***educational programs***, the appropriateness of their cost and the likelihood of payoff to at-risk students.

In each of these important areas, the Committee has made a determination that extant data and analyses are wholly inadequate to assess the dimensions of the problem or formulate effective strategies and policies to overcome them. The Committee's recommendations for further study are presented in Exhibit 8.

"One of the most important issues facing postsecondary education is the effect of the loan/grant imbalance on student and family decisionmaking. A key aspect of this issue--and one that has not been addressed adequately--is loan burden."
Michael S. Katz

"The federal government is currently unable to assess the likely effects of recent policy changes with regard to default reduction initiatives and therefore cannot establish whether further modifications are necessary."
Stephen C. Biklen

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Current Members By Class Of Appointment

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(Term expired September 30, 1990)

Mr. James R. Craig *
Director of Financial Aid Services
Montana State University
Bozeman, Montana
(House of Representatives appointee)

Class of 1991
(Term expires September 30, 1991)

Ms. Ashley L. Barron
Student
Drew University
Madison, New Jersey
(Secretary of Education appointee)

Dr. James L. Flippin
Assistant Commissioner for Student Financial Aid
and Director, Mississippi Guarantee
Student Loan Agency
Jackson, Mississippi
(United States Senate appointee)

Mr. Joseph L. McCormick
President
Texas Guaranteed Student Loan Corporation
Austin, Texas
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Mr. Stephen C. Bikle
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Citibank
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Dr. S. Anne Hancock
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DeKalb College
Decatur, Georgia
(Secretary of Education appointee)

Ms. Ramona O. Liston
Assistant to the Dean for Development
Arizona State University
Tempe, Arizona
(Secretary of Education appointee)

Designated Federal Official (ex officio)

Judge Ernest Canellos
Acting Deputy Assistant Secretary for Student
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U.S. Department of Education
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* Continues serving until reappointed or successor appointed

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National Association of Student
Financial Aid Administrators
Washington, D.C.
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12/03/87 - 09/30/89
Deputy Director
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* Titles were current at the time of service on the Advisory Committee

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Ms. Lisa D. Hastye
Staff Secretary

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Senator PELL. Our second panel includes Gregory Roberts, executive director of the Baltimore Educational Scholarship Trust in Baltimore; Ms. Melissa Gregory, financial aid officer at Frederick Community College in Frederick, MD, and Ms. Elizabeth Hicks, coordinator of financial aid, Harvard University, Cambridge, MA.

Shall we start out with Mr. Roberts?

STATEMENTS OF GREGORY ROBERTS, EXECUTIVE DIRECTOR, BALTIMORE EDUCATIONAL SCHOLARSHIP TRUST, BALTIMORE, MD; MELISSA GREGORY, FINANCIAL AID OFFICER, FREDERICK COMMUNITY COLLEGE, FREDERICK, MD; AND ELIZABETH HICKS, COORDINATOR OF FINANCIAL AID, HARVARD UNIVERSITY, CAMBRIDGE, MA

Mr. ROBERTS. Thank you, Senator.

I would like to thank this Senate subcommittee for the opportunity to testify before you today. I will limit my comments this morning to the impact the financial aid form, specifically the FAF, has on first-generation low-income students in their pursuit of postsecondary educational opportunities.

As a former director of a TRIO program, specifically the Talent Search program, and current director of the Baltimore Educational Scholarship Trust, it has been my experience that the complex nature of the FAF has created an unfair burden on poor families.

The FAF in its present form asks 78 specific questions concerning a family's financial background and biographical data. The complexity of the questions are sometimes far beyond the interpretation of our families and causes them a high level of frustration and anxiety. Many families decide that the form is too difficult and decide not to complete the process. If they are able to complete the form, they will probably make several errors, limiting their opportunities to receive aid.

In an ideal scenario, families would receive the form in late December, consult with a guidance counselor or school personnel in early January, have an accountant complete their tax return and review their FAF for errors. The completed FAF could then be sent by the first of February.

The reality of the situation is that once a family receives the form, it becomes quite clear that they are unable to answer many of the questions. The burden of completing the FAF is now the responsibility of the student. Now you have 17- and 18-year-olds either trying to complete the form on their own or, if they are fortunate, they are able to work with financial aid professionals or school guidance staff who will assist them with the form.

I cannot tell you how many times I have met with a desperate senior a few days from the financial aid deadline, and I end up completing the form for them.

An article that appeared in the July 6, 1988 edition of *The Chronicle of Higher Education* articulated the difficulty of low-income first-generation students completing the form. Three years since that article appeared, the problems still remain.

TRIO personnel in ideal situations are able to work with students beginning in their sophomore year and provide advice and assistance during those 3 years, preparing families for the complex

process. Again, the reality is that the student will be referred to me in his senior year, probably right after the Christmas holidays. His window of opportunity—that is the time I have to assist with SAT, college applications, FAF forms, letters of recommendation, etc.—is about 8 weeks. Nine out of ten times, it takes the family at least half that time just to complete the FAF.

In one particular inner city high school that I was involved with, several students had paid between $100 and $150 to have the form completed by a financial aid/scholarship service, when the information was readily available through TRIO and financial aid personnel.

Poor students are affected by making errors or delaying submission of the form. The Maryland State Scholarship Program gives preference to students graduating from Baltimore City schools. However, if they miss the early deadline, they have eliminated themselves from the program.

For families on public assistance, or those earning $10,000 or less, let's simplify the form by limiting the questions to biographical data and verification of income. This will streamline the process for those families, and enable front-line professionals such as myself to better meet the needs of our constituents.

Any child who can overcome the obstacle of poverty needs to be applauded, not burdened unnecessarily with forms.

For some of us, it is difficult to understand why anyone would complain about completing a form, no matter how complex, to be eligible to receive substantial financial assistance. However, when you work with young people who walk the tightrope every day between obscurity and success, it becomes apparent that any additional obstacle, no matter how small, can tilt the pendulum the other way.

The Financial Aid Form is an unnecessary burden on poor families. The additional questions will not change the eligibility status. If colleges needed additional information, it can be acquired through their own supplemental forms.

Finally, I urge you to take the necessary steps to simplify a process that is the life blood of educational opportunity for poor children.

Thank you.

Senator PELL. Thank you very much, Mr. Roberts.

Senator PELL. Ms. Gregory.

Ms. GREGORY. Good morning. My name is Melissa Gregory, and I am the financial aid officer at Frederick Community College.

I am honored to testify before you this morning, and I am very pleased that your subcommittee has identified simplification of the financial aid process as a key objective for reauthorization.

FCC is located in Frederick, MD, about 50 miles northwest of DC. Our students are largely low to moderate income, and many come from rural backgrounds. We have a large number of single women who are heads-of-household, and approximately 15 percent of our financial aid population receives AFDC benefits.

These students are very needy. Many would also be considered at risk. However, FCC students share another characteristic—they succeed. Unlike the stereotype of low-income aid recipients, our students complete their programs at high rates. A large percentage

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of our students enrolled in transfer programs go on to 4-year institutions.

Another proof of our students' pride and success is that they repay their loans. Despite their potential, our students are hindered by the current financial aid system.

My testimony covers three specific and interconnected concerns: The application, re-application and State scholarships.

For many of my students, applying for financial aid is their first exposure to a complex form. Many have no experience with credit systems and applications. They are willing to commit to an academic program, but the student aid process is daunting, and I'm sure we lose students because of its complexity.

The losses are most severe among very needy students. If not for our constant intervention and a great deal of hand-holding, I am sure they would take one look at the form and walk away.

Re-application is another hurdle. Our students proved they were poor last year. Why do they have to do it again? Why does it take a 4-page form, on which they record very few changes from the year before, to establish what we already know? There has to be an easier way to identify any changes.

Our students suffer from form overload; we wear them out with too many applications. One reality of life in my office is the need to deal with two forms and different requirements. I prefer to use the free Federal form, the Application for Federal Student Aid. My students find it easier to complete. However, until the end of April, I only distribute the College Board's Financial Aid Form, or FAF, because the State of Maryland requires it for awarding State grants. The State does accept the expected family contribution calculated from the Federal data on the FAF, including the results from the simplified needs test. But students must still answer a handful of State-specific questions at the end of the FAF, for which they pay a processing fee.

Twenty-five percent of my students receive State grants, so I feel obligated to encourage them to take advantage of this resource. Even though 80 percent of our total need-based aid comes from Federal sources, and 10 percent is from the State, my students still need every dollar they can get.

The impact of using the FAF is substantial. Most of our time spent with students early in the year is dedicated to helping them complete the FAF. We often sit with them, read the questions to them, and sometimes we actually fill in the data.

I have to admit to a certain sense of guilt asking students to pay a fee for something that I know is available free of charge. Each year my students ask if the fee can be waived because they can't afford it. Unfortunately, fee waivers must be purchased by institutions, which is not a realistic option given FCC's budget.

As a staff, we do go to great lengths to avoid having students pay excessive unnecessary fees. For example, we print separate instructions, and we attach them to the cover of the FAF, telling students only to list the State, not the school, in the CSS institution code section to avoid paying an additional fee. Ironically, we get our data from the Department of Education, not from CSS. For FCC, delivery of data from CSS is redundant.

The issue of fees has been partially addressed by the free Federal core that is part of all applications, but prior to the deadline for State scholarships, I cannot provide a no-fee option for applying. Even if other simpler application procedures were available to low-income students, under the current structure, students would still fill out all sections of the form and pay a fee.

The message is clear and simple: Complete the whole form. It is the safest path to take.

Mr. Chairman, if we are to make real progress on simplification, we cannot simplify at the Federal level only to have more stringent need analysis requirements maintained by States and institutions.

I have heard that the State of Maryland is considering accepting the AFSA to award State grants. I applaud such efforts because it makes entry into the delivery system easier for all low-income students, especially if the results from Federal need analysis—simple as well as regular—are sufficient to award State grants.

Simplification for low-income students is straightforward. Many have already demonstrated their poverty for the purpose of welfare programs. There are others, especially the working poor, who have few, if any, assets. Completing the full form with its associated instructions only serves to confuse them and complicate their entry into the delivery system.

I would urge this subcommittee to make the application process easier for low-income students with particular consideration to automatic eligibility for maximum Federal aid for AFDC recipients and others who receive public assistance, and by extending simplified need analysis to families with moderate incomes and minimal assets. Such approaches and methods to lessen the burdens of reapplication would yield very positive results.

I also believe that States and institutions can work together to build systems that let poor students apply for State-based grants without requiring the completion of complicated and expensive application forms.

I would like to mention one other important issue that could simplify the application process—the independent student definition. The current definition is very complex and requires more and more space on the form. By streamlining the definition, both accuracy and simplicity will be served.

I would like to thank you very much for this opportunity to testify before you, and I'd be happy to answer any questions you might have.

Senator PELL. Thank you very much indeed.

[The prepared statement of Ms. Gregory follows:]

PREPARED STATEMENT BY MS. GREGORY

Good morning. My name is Melissa Gregory and I am the financial aid officer at Frederick Community College in Frederick, MD. I am honored to testify before you this morning and I am very pleased that your distinguished subcommittee has identified simplification of the financial aid process as a key objective for reauthorization.

This morning I would like to provide some background on FCC and the surrounding community, as well as describe the complexity and confusion that my students face in dealing with the current financial aid system. Also, I will suggest some general solutions to these problems.

FCC is located in Frederick, Maryland, about 50 miles northwest of Washington, DC. Representative of the surrounding community, FCC's students are largely low to moderate income and many come from rural backgrounds. The majority of our financial aid applicants are independent students who make less than $15,000 per year. The average income of our dependent financial aid applicants is approximately $30,000. The student body is predominantly white, although about 10 percent are black. We have a large number of single women who are the head of the household, and approximately 15 percent of our financial aid population are receiving AFDC benefits.

In the current context, while we consider these students very needy, many would also be considered "at-risk." However, FCC students share another characteristic: They succeed. Unlike the stereotype of low-income aid recipients, our students complete their programs at high rates and a large percentage of our students enrolled in transfer programs go on to 4-year institutions. In key vocational programs, such as nursing, all of our students—even those who are high-risk—pass their licensing exam the first time. One of the ultimate results of our students' pride and success is that they pay back their loans. FCC has a 9 percent default rate.

In spite of their potential for success, our students are hindered from completing their goals by the current financial aid system. My testimony covers three specific and interconnected concerns: The application, reapplication, and State scholarships.

For many of my students, applying for student assistance is their first exposure to a form of this kind. Many of them have no experience with credit systems and applications. These students are willing to commit to an academic program and do succeed, but the student aid process is daunting, and I am sure that we lose students because of its complexity. The losses are most severe among very needy students. If not for our constant intervention and a great deal of hand-holding, these students would take one look at the form and walk away. This was a real shock to me. Prior to coming to FCC I worked at George Washington University and the University of Maryland at College Park, both of which serve larger numbers of middle- and upper-middle-income families. I never realized that the system these students criticized as confusing and burdensome could be so devastatingly complex for low-income students.

Reapplication is another hurdle our students face. After all, they proved that they were poor last year, why do they have to do it again? Why does it take a 4-page form, on which these students record very few changes from the year before, to establish what we already know? There has to be an easier way to identify any changes that may exist.

I believe that our students suffer from form overload—we wear them out with too many applications. One of the realities of life in my office is the need to deal with two forms and different requirements. I prefer to use the free, Federal form, the Application for Federal Student Aid (AFSA), which my students find easier to complete. It's shorter and much less intimidating. However, until the end of April, I only distribute the College Board's Financial Aid Form—or FAF—because the State of Maryland requires it for awarding State grants. To determine a student's need for a State grant, the State does accept the expected family contribution calculated from the Federal data on the FAF, including the results from the simplified needs test. Students must still answer a handful of State-specific questions concerning the student's county, legislative district, State senator, ethnicity and institutional choice. These questions are contained in a section at the end of the FAF, for which students must pay a processing fee.

State grants are a source of aid for 25 percent of my students, so I feel obligated to encourage them to take advantage of this resource. Even though 80 percent of our total need-based aid comes from Federal sources and 10 percent comes from the State, my students need every dollar they can get. For the same reason, I tell students and their parents to complete the FAF when I participate in outreach efforts to area high schools. The FAF is also the most widely used form in the State of Maryland. I find that explaining how to fill out such a form to a group is complicated. Furthermore, most students and parents end up completing the entire form, even the sections that are not necessary for those who qualify for simplified need analysis.

The impact of using the FAF is substantial. The majority of our time spent in contact with students in the early portion of the calendar year is dedicated to helping students complete the FAF. We often have to sit with students, read the questions to them, and sometimes fill in the data for them. It's not that our students can't read and understand written instructions, they're just terrified of making a mistake. The results of this form will effect their futures dramatically; And frankly, I'd prefer the results to be correct the first time through the system.

I have to admit to a certain sense of guilt asking students to pay a fee for something that I know is available free of charge. Each year we have students ask our staff if the fee can be waived because they can't afford it. Unfortunately, fee waivers must be purchased by institutions, which isn't a realistic option given FCC's current budget problems. As a staff we go to great lengths to avoid having students pay excessive and unnecessary fees. For example, we print separate instructions and attach them to the cover of the FAF telling students only to list the State—not the school—in the CSS institution code section to avoid paying an additional fee. Ironically, we get our data from the Department of Education and not from CSS. From FCC's perspective, delivery of data from CSS is redundant.

The issue of fees associated with student aid forms has been partially addressed by the free Federal core that is part of all applications. But prior to the deadline for State scholarships, I am unable to provide my students with a no-fee option for applying. Even if other, simpler application procedures were made available to low-income students, under the current structure students would still fill out all sections of the form and pay a fee. The message is clear and simple: Complete the whole form, it's the safest path to take. Mr. Chairman, if we are to make real progress on simplification, we cannot simplify at the Federal level, only to have a more stringent set of need analysis requirements maintained by States and institutions.

I have heard that the State of Maryland is considering accepting the AFSA to award State grants. This would have a positive impact on the students who attend FCC. I applaud such efforts, because it makes entry into the delivery system easier for all low-income students, especially if the results from Federal need analysis—simple as well as regular—are sufficient to award State grants.

My years of experience with middle-income students have indicated to me that there are many ways to simplify the application process and make it less burdensome for such students. My experience at FCC demonstrates that dramatic simplification for the poorest of our students is imperative. The system as it actually works constitutes a serious barrier to low-income students who would otherwise succeed.

Simplification for low-income students is a straightforward proposition. Many have already demonstrated their poverty for the purpose of welfare programs. Others who do not receive such benefits, especially the working poor, have few if any assets. Completing the full form with its associated instructions only serves to confuse them and complicate their entry into the delivery system.

I would urge this subcommittee to consider making the application process easier for low-income students. I would encourage particular consideration of certain steps such as automatic eligibility for maximum Federal aid for AFDC recipients and others who receive public assistance, and extending simplified need analysis to families with moderate incomes and minimal assets. For both these groups, completion of the full form is merely an exercise. Approaches such as these as well as methods to lessen the burdens of the reapplication process would yield very positive results. Finally, I believe that States and institutions can work together to construct systems that permit poor students to apply for State-based grants without requiring the completion of complicated and expensive application forms.

I would like to mention one important issue related to need analysis that could have a considerable effect on simplifying the application process. I am referring to the independent student definition. The current definition is very complex and requires more and more space on the form. By streamlining the definition, both accuracy and simplicity will be served.

I would like to thank you for this opportunity to testify before you and would be happy to answer any questions.

Senator PELL. Ms. Hicks.

Ms. HICKS. Good morning, Mr. Chairman and Senator Kassebaum.

My name is Elizabeth Hicks, and I am assistant dean of admissions and financial aid at Harvard and Radcliffe Colleges, and coordinator of financial aid at Harvard University in Cambridge, MA.

The process by which a student applies for and receives Federal student financial aid for education or training beyond high school has become increasingly complex. I would like to highlight for you some of the complexities of the financial aid delivery system that are described in greater detail in the attachment I am submitting with this testimony.

As you have heard, an applicant can use one of six forms to apply for Federal student financial aid. The applicant decides which form to use, although cost, availability, and a school's preference for a particular form may dictate an applicant's choice.

All six application forms include the same 32 Federal core questions, which actually comprise 65 data elements. Five of the forms have a supplemental section that includes additional data elements needed to award non-Federal aid. Those five forms would be the five forms other than the AFSA, which Dr. Fitzgerald described to you.

Most students file one of these five applications, and complete the Federal and non-Federal sections. Therefore the typical applicant reads approximately eight pages of instructions and responds to about 150 data elements.

It takes 4 to 6 weeks for an application to be processed. If the applicant has to confirm or correct information, this reprocessing takes another 2 to 3 weeks.

The application is sent to a processor who computes the amount a student and family are expected to pay toward education according to two formulas—one formula for the Pell grant program, and one for Stafford loans and the campus-based programs, including College Work-Study, Perkins Loans, and Supplemental Educational Opportunity Grants.

After completing the Federal student financial aid application, a student must submit additional information directly to the school. Examples of the additional information that may be required are the Statement of Registration Status for Selective Service; the Statement of Educational Purpose/Certification Statement on Refunds and Default; the financial aid transcript; Federal income tax returns, and statements from Social Security verifying the benefits received.

After meeting the additional eligibility requirements, applicants must still follow supplementary procedures for each of the Federal programs from which they expect to receive support. For example, a student applying for a Stafford loan must submit a separate Stafford loan application in addition to the Federal student financial aid application. The Stafford loan application includes on average 20 questions. The student submits the application to the school; the school completes its section certifying the student's eligibility for the loan and submits the application to the lender. The lender completes its section approving the loan and submits the application to the guarantee agency. The guarantee agency notifies the lender of the loan approval. The lender issues a check made payable to the student or the student and the school, and mails it to the school. For each first-time Stafford borrower, the school must conduct an entrance interview and wait until 30 days after the start of school before disbursing the check.

Despite the progress made by Congress during the last reauthorization of the Higher Education Act of 1965, complexity still prevails. For example, the simplified need analysis, which is a formula requiring fewer data elements, is not being fully used because eligible applicants are uninformed of the availability and benefits of the simple needs test.

Another example is that an applicant receives two divergent expected family contribution figures when integration of the two methodologies for determining eligibility of Federal funds is clearly feasible. Addressing these and other similar areas in the upcoming reauthorization will reduce the current complexity for low- and middle-income students.

The present financial aid delivery system is designed to award Federal and non-Federal financial aid and to serve applicants from all income levels. As a result, it intentionally focuses on data collection and need analysis issues relating to those families with the most complex financial situations.

Later this morning, you will learn of several proposals to simplify the student aid delivery process. One of these proposals is that of the National Association of Student Financial Aid Administrators and is entitled, "A Plan for Reform." This proposal is an earnest attempt to determine the areas of data collection needed to preserve equity, chiefly for low-income students. "A Plan for Reform," if enacted, would not incur major budgetary effects, nor jeopardize the accuracy of applicant data, nor undermine the integrity of the delivery system.

Harvard University, as other similar institutions, admits applicants across a very broad spectrum of incomes—from low-income applicants requiring full financial assistance to families of modest income and assets who still demonstrate need for significant financial aid, to families of more substantial means who require assistance in the form of alternative financing options. As a result, the university has developed a substantial body of knowledge about the income, assets, consumption patterns and financial complications of American families and students from all walks of life. This keeps us highly attuned to the need for equity. To the degree that our principles of equity come in conflict with simplification, equity has and always will take precedence. However, we believe that the proposal by NASFAA maintains the delicate balance between simplicity and equity by creating a student aid delivery system that is easier for low-income families and that preserves funds for the neediest students by correctly assessing the financial strength of families better prepared to pay for post-secondary expenses.

In conclusion, I would like to thank you for the opportunity to speak with you today, and I welcome any comments or questions you may have.

Senator PELL. Thank you very much indeed.

[The information provided by Ms. Hicks follows:]

HOW TO APPLY FOR AND RECEIVE FEDERAL STUDENT FINANCIAL AID

Introduction

The process by which a student applies for and receives Federal student financial aid for education or training beyond high school has become increasingly complex. Even the twelve-page "Federal Student Aid Fact Sheet 1990–91" published by the U.S. Department of Education, states in the opening paragraph ". . . the Fact Sheet can't cover everything you need to know."

The following is a description of the major steps in applying for and receiving Federal student financial aid. This description covers completion and processing of the application, additional eligibility requirements, and supplementary procedures for: Pell grants; the campus-based programs including College Work-Study, Perkins Loans, Supplemental Educational Opportunity Grants; and the Guaranteed Student

Loans including Stafford Loans, Supplemental Loans for Students (SLS), and PLUS Loans.

The Application

An applicant can use one of six forms to apply for Federal student financial aid. The applicant decides which form to use, although cost, availability, and a school's preference for a particular form may dictate an applicant's choice.

The forms are available in the late Fall for the following academic year. However, any form filed prior to January 1 is returned to the applicant unprocessed. Since the form asks for information from the Federal income tax return to be filed in April, it is advisable for applicants to complete the tax return first.

All six application forms include the same thirty-two Federal core questions which actually comprise sixty-five separate data elements. Five of the forms have a supplemental section that includes additional data elements needed to award non-Federal aid. Most students file one of these five applications and complete the Federal and non-Federal sections. Therefore, the typical applicant reads approximately eight pages of instructions and responds to about one hundred and fifty data elements.

It takes 4 to 6 weeks for an application to be processed. If the applicant has to confirm or correct information, this reprocessing takes another 2 to 3 weeks.

The application is sent to one of the multiple data entry processors who computes the amount the student and family are expected to pay toward education according to two formulas—one formula for the Pell Grant Program, and one for Stafford Loans and the campus-based programs, including College Work-Study, Perkins Loans, and Supplemental Educational Opportunity Grants.

The multiple data entry processors transmit the application information to a central processor who, in addition to recomputing a student's eligibility according to the two formulas, conducts data base matches with Selective Service, the Immigration and Naturalization Service (INS), and the Department of Education. The data base match with Selective Service is to confirm the registration of male students over the age of eighteen. The data base match with INS is to confirm the status of eligible non-citizens. The data base match with the Department of Education is to identify applicants who have defaulted on Federal student loans. Plans are underway for a data base match with the Department of Justice to identify applicants subject to section 5301 convictions under the Anti-Drug Abuse Act of 1988.

The central processor forwards its results to the multiple data processors who send the applicant a Student Aid Report (SAR), indicating the student's Pell grant eligibility and expected family contribution for the campus-based and Stafford loan programs. Multiple data processors also send the results of the two formulas directly to schools for students who complete the Federal and non-Federal sections of an application. The financial aid office reviews the results of the two formulas, and based on an applicant's special circumstances, can adjust an applicant's eligibility for all programs except Pell grants.

The financial aid office makes award decisions based on an applicant's enrollment status, cost of education, expected family contribution, and other resources, as well as the school's available financial aid funds. Eligible applicants who are awarded aid receive some combination of grant, loan and work, which may include support from non-Federal as well as Federal sources.

Additional Eligibility Requirements

Once an applicant accepts all or a portion of a Federal student financial aid award, the school informs the applicant of the additional eligibility requirements.

All applicants must sign a Statement of Registration Status for Selective Service and a Statement of Educational Purpose/Certification Statement on Refunds and Default.

Applicants who have attended another institution must submit a two-page financial aid transcript from each institution they have previously attended.

Applicants must maintain satisfactory academic progress according to standards established by their school as well as standards established by the Federal government.

Applicants who are selected for verification must submit supplemental information, such as Federal income tax returns and statements from Social Security, to verify the original information submitted on the financial aid application. Up to 30 percent of the financial aid recipients at a school may be selected for verification.

Applicants who do not have a high school degree or the equivalent must pass a standardized test approved by the Department of Education in order to receive financial aid under the ability to benefit provision.

Supplementary Procedures

After completing the Federal student financial aid application and meeting the additional eligibility requirements, an applicant must follow supplementary procedures for each of the Federal programs from which the applicant expects to receive support.

Pell grants are grants for undergraduate students. To receive a Pell grant an applicant must update the information that is printed on the Student Aid Report (SAR). If the applicant needs to make any changes, the SAR must be corrected and returned to the multiple data entry processor, who issues a new SAR in 2 to 3 weeks. The applicant must complete the Statement of Updated Information and the Anti-Drug Abuse Act Certification on the corrected SAR before submitting it to the school.

The school determines an applicant's Pell grant award based on the applicant's enrollment status, cost of education, Pell grant index, and current Pell grant payment schedule. The school submits the SAR as a payment voucher to the Department of Education in order to receive the funds to pay students.

The campus-based programs are College Work-Study, Perkins Loans, and Supplemental Educational Opportunity Grants. These programs are administered by the school and students are paid directly from the school.

The College Work-Study (CWS) program provides jobs for undergraduate and graduate students. To receive CWS an applicant must complete all the usual forms for employment such as Federal and State income tax withholding forms and the I-9 form required by the Immigration Reform and Control Act. In addition, an applicant cannot be paid under CWS until all the required forms, such as contracts and referral forms, are completed by the employer and/or school and the proper payroll procedures are established. CWS students submit time cards signed by the employer at minimum monthly, but usually bi-monthly or weekly.

Perkins loans are low fixed-interest rate loans for undergraduate and graduate students. To receive a Perkins loan an applicant must first receive a determination of Pell grant eligibility or ineligibility. Any delays in the Pell grant process cause delays in the Perkins loan process. The student must sign the promissory note before the initial disbursement and must sign for the funds in the Schedule of Advances part of the note for subsequent disbursements. The school must provide each borrower with pre-loan counseling prior to the time it makes the loan.

Supplemental Educational Opportunity Grants (SEOG) are grants for undergraduates. An applicant does not need to follow any supplementary procedures to receive an SEOG.

The Guaranteed Student Loans are Stafford Loans, Supplemental Loans for Students (SLS), and PLUS loans. Stafford loans are for students who demonstrate financial need. SLS loans are for students who do not qualify for Stafford loans or who need additional loan assistance. PLUS loans are for parents. These loans, available from banks, credit unions, or savings and loan associations, are jointly administered by schools, lenders, and guarantee agencies. While the amount of time it takes to process these loans varies considerably, it usually takes 4 to 6 weeks.

Stafford Loans are fixed-interest rate loans for undergraduate and graduate students. An applicant must first receive a determination of Pell grant eligibility or ineligibility. Any delays in the Pell grant process cause delays in the Stafford loan process. Applicants submit a Stafford loan application which includes, on average, twenty questions in addition to the promissory note and disclosure sections. The applicant submits the application to the school.

The school completes its section certifying the student's eligibility for the loan and submits the application to the lender. The lender completes its section approving the loan and submits the application to the guarantee agency. The guarantee agency notifies the lender of the loan approval. The lender issues a check made payable to the student, or the student and the school, and mails it to the school.

The school must conduct an entrance interview with each first-time Stafford borrower before negotiating the check. In addition, the school may not disburse checks to first-time borrowers until thirty days after the start of school. The borrower must acknowledge receipt of the Stafford loan. The school must reaffirm the student's loan eligibility before each subsequent disbursement.

Supplemental Loans to Students (SLS) are variable interest rate loans for undergraduate and graduate students. To receive a SLS, an applicant must first receive a determination of Pell grant eligibility or ineligibility, as well as a determination of Stafford loan eligibility or ineligibility. Any delays in the Pell grant process or Stafford loan process cause delays in the SLS process. Applicants must submit an SLS application, which includes, on average, twenty questions in addition to the promissory note and disclosure section. The applicant submits the application to the school.

The school completes its section certifying eligibility for the loan and submits the application to the lender. The lender completes its section of the loan and submits the application to the guarantee agency. Some lenders do not approve the loan unless the applicant passes a standard credit check. The guarantee agency notifies the lender of the loan approval. The lender issues a check made payable to the student, or the student and the school, and mails it to the school.

PLUS loans are variable interest rate loans for parents of students. To receive a PLUS, the parent must submit a PLUS application, which includes, on average, twenty questions in addition to the promissory note and disclosure section. The parent submits the application to the school.

The school completes its section certifying eligibility for the loan and submits the application to the lender. The lender completes its section of the loan and submits the application to the guarantee agency. Some lenders do not approve the loan unless the applicant passes a standard credit check. The guarantee agency notifies the lender of the loan approval. The lender issues a check directly to the parent.

Conclusion

The above description details how a student applies for and receives Federal student financial aid under the best circumstances. Applicants are encouraged to begin the process as soon as possible after January 1, in order to receive funds by the start of school. Federal regulations do not allow funds to be credited to a student's account prior to 3 weeks before the start of school. For students on a traditional academic year calendar, this means at least nine months elapse between application and receipt of Federal student financial aid.

Applicants experience delays if they do not receive adequate and timely information, if they incorrectly complete applications, if they file late, if applications are filed during peak processing periods, or if applications are lost or misplaced. In addition, some applicants have special financial considerations that cannot be described adequately on an application. The applicant must complete each step in the process promptly in order to meet deadlines, as missing a deadline means not receiving aid.

Senator PELL. I guess what you are saying a little bit is that the real villain is the Congress itself, that sets forth the requirements that require the questions that are being asked. Is that correct?

Ms. HICKS. I would say that there is certainly room for Congress to simplify the questions that it needs to ask; to especially consider, as I mentioned, merging the two formulas by which we determine eligibility, and as a result come up with——

Senator PELL. The two formulas between Stafford loans and Pell grants.

Ms. HICKS. Correct, and also the form that is used for Stafford loans is also used for the campus-based programs.

There is still going to be complexity in the system, as Ms. Gregory referred to the fact that there are States and institutions that will need to ask more complicated questions. I represent an institution that does, as I mentioned, serve a broad spectrum of incomes. We have families from middle- and upper-middle-income families with complicated financial situations who do qualify for financial assistance from Harvard. We cannot use adjusted gross income as a true predictor of their family financial straights and therefore need to ask more complicated questions. We do not feel that our need to ask those questions should drive the entire system. So we are fully supportive of a simplified Federal application, which we would also use for our low-income students, but we would continue to use a second application at Harvard that would be designed for middle- and upper-middle-income students to help preserve the equity between middle and low-income students so as not to distort the differences between those groups of students.

Senator PELL. Thank you.

Ms. Gregory.

Ms. GREGORY. I'm not sure that everyone realizes that there are two systems out there that are being used. There is a free Federal form, and it is available, but institutions and States are requiring things in addition to what is on the free Federal form. So it seems as if we have designed systems that are convenient for us, convenient for the institutions and the States, but not necessarily the best for the students.

I think that is something that needs to be encouraged; we need to work harder to find our own ways, such as I hope Maryland will do, to collect the kinds of information we need. For example, when our students fill out the Financial Aid Form, or FAF, the most important section for a Maryland resident is that section at the very end that collects six or seven State-specific questions. There is other information on there beyond what is required in the Federal core that lots of other schools and institutions would like to see or need, but we don't necessarily need it. So we have kind of put this hodge-podge of questions together to collect all of this information because all kinds of different people want it, but it isn't necessary for everyone. What I am finding are students who just look at this very long form and fill the whole thing out. They go all the way through. It is safer to complete the whole form.

Senator PELL. Thank you.

Mr. Roberts.

Mr. ROBERTS. My population is primarily a low-income population, and any additional burdens or obstacles they have really keep them from applying. My two esteemed colleagues have the opportunity to see those young people who have decided and filled the form out. I am on the front line, where many young people get these forms and are totally confused and do not even fill the form out, so they never even pursue post-secondary education even though they are competitive academically to do so, but once that form goes home, the reality of the situation is that I end up, or those 17- or 18-year-old kids end up filling that form out, not the parents.

Senator PELL. That leads me to another question. How well-prepared are the high school guidance counselors to help the students fill out the financial aid forms? I'll ask Mr. Roberts.

Mr. ROBERTS. Guidance counselors in my particular schools average between 500 and 700 kids per guidance counselor. So basically they will probably deal with class scheduling and discipline problems.

As far as the Financial Aid Form is concerned, they are very limited as far as the ability to give out up-to-date information. Some will attend some of the College Board programs, but most guidance officials in inner city schools are dealing with so many other problems that it is very difficult for them to develop expertise in filling out a Financial Aid Form.

Senator PELL. Thank you. I'd like to add to that. I believe I am correct in saying that 17 percent of the students who are eligible to use the so-called simplified needs analysis do so. What would be the reason why only 17 percent of the students use that?

Mr. ROBERTS. Well, in my situation because the Maryland State Scholarship Program requires the FAF, that information is not available to our constituent population. So they don't even know. I

mean, lack of information and ignorance is tremendous in inner city schools as far as all these programs are concerned. And in many cases, they never get the opportunity to even see a financial aid person or even talk to that person. We do have some financial aid people who come into our schools, but they come in the evenings, and child care and other issues are involved. And also, a lot of our young people work part-time, so it is very difficult.

Senator PELL. Ms. Gregory.

Ms. GREGORY. We work very closely with all of our high schools to have programs and walk the students and parents through the form, plus even if students aren't coming to our school, we are a community college, and we serve the community, so people make appointments with us to have us help them complete the forms.

What we find a great deal—Dr. Fitzgerald was showing you the way the AFSA is laid out—there is a certain point after you've filled out your income where it gets to a worksheet that will tell you whether you need to go on or not. In the Financial Aid Form, for example, it is not the same way. There is an instruction that tells you to go to page such-and-such of the instructions, find this worksheet, complete it, and that will tell you what to do with the rest of the form. Well, if I am looking at this form, and I'm scared, and this is going to determine my future in a way, it is going to determine if I am going to have the money to pursue my goals, I just go on and fill out the rest of the form. That is the message we give students very often in our high school presentations.

I don't know where all of these students are going to schools. I don't know what schools they are going to will require the whole form, part of the form, whatever. It is just easiest to go all the way through it. More is better than less.

Senator PELL. Ms. Hicks.

Ms. HICKS. Yes, I would agree with that. The problem is that the simplified needs test is embedded in the longer form, and it is easier to complete the whole form than to try to figure out which parts you should complete.

As you hear the proposal from NASFAA that I referred to later this morning, we have developed an idea that will allow families to answer just a few questions, and it is very clearcut which questions they need to answer, so that families that qualify for public assistance benefits will opt out on the form very early on. There will be another place at which families who earn $20,000 or less and file a 1040A or 1040EZ would not be required to submit asset information. We think these are more understandable approaches for families.

Senator PELL. Thank you very much.

Senator Kassebaum.

Senator KASSEBAUM. I guess one thing that is very obvious is that through the years of trying to make things easier, they have only become more complex. I am actually just appalled. I don't know how anybody gets through these.

For one thing—and I am starting as a complete novice in this procedure—why are there six forms? Why can't there be just one form for everyone and then an additional supplement page, perhaps, for Harvard or for a particular community college or State,

as the case may be, that would then be answered by the student going there?

Why are there six forms necessary—anybody. I am just curious. I can see where we have ACT, and we have the AFSA——

Senator PELL. If the Senator will yield for a second, I think we are the villains because we put it into law.

Senator KASSEBAUM. Well, I know we are, Mr. Chairman, but obviously we did it in response to some needs that had been expressed to us. I don't know how we got it so complicated.

Ms. HICKS. Maybe I could give that a try.

Senator KASSEBAUM. Yes, please.

Ms. HICKS. As Dr. Fitzgerald explained, there are Federal core questions, 32 questions which I actually refer to as 65 different data elements; they require 65 different responses. Those are the questions that are on each of the six forms. Because the Department of Education uses what Dr. Fitzgerald referred to as multiple data entry processors—those are the entity to which the applications are first sent—these processors are given the opportunity to add to the Federal core questions those additional questions that they feel are necessary. The other five forms are forms from the five multiple data entry processors. Those forms are used by non-Federal sources such as States, institutions and private sources. Each of those forms differ somewhat in the non-Federal questions, what questions they ask and how they ask them.

So in essence what is happening is that, yes, Congress has determined what questions need to be asked, but again the needs of non-Federal sources are adding complexity by driving the system. And again, I am speaking for a school that will need to continue to ask very complicated questions, but we don't feel that those questions should be on a form that is filled out by the students that Mr. Roberts has referred to. Students need to see just a simple form for purposes of Federal aid, and I agree with you it should be one form, available nationwide, which would make it easier for guidance counselors to learn what the form is all about.

Senator KASSEBAUM. But, as you say, there are the core questions that are on all forms.

Ms. HICKS. Right.

Senator KASSEBAUM. Now, Mr. Roberts, you don't have the additional questions, that Ms. Hicks would have to be asking her students anyway, do you?

Mr. ROBERTS. No. My young people don't need to answer those particular questions.

Senator KASSEBAUM So you are getting basically just ASFA?

Mr. ROBERTS. No. I am getting the FAF. I don't even get the ASFA, and basically, I guess half of the form—the other half, our young people will probably put zeros in or "NA's" because they don't apply to them.

But because of the complexity of the question, they don't understand it, and so they'll go back and try to find out if their parents own a farm or have other assets, or they will ask around, and there will be total confusion in the whole process. So it might take them 2 weeks to answer one question when in reality, they don't even own a farm.

Senator KASSEBAUM. Yes, I think they would know whether there was a farm there or not.

Ms. HICKS. Perhaps I could use an analogy. The way the simplified needs test is set up now, it would be the equivalent of telling someone who qualifies for the 1040EZ to read through the entire 1040 and the instructions to try to figure out which questions they need to answer in order to complete the requirements for the 1040EZ—instead of having two separate forms.

Senator KASSEBAUM. Yes. You stated that the simplified needs analysis is not being used. What could be done—is it being discouraged, or are people just not understanding it? Why isn't it being used?

Ms. HICKS. It has to do with lack of information both about the availability of the form, and of the benefits; the fact that because they are uncertain which questions to complete, as Ms. Gregory mentioned, it is easier to complete the whole form.

Senator KASSEBAUM. I see. If you had to make a suggestion as to what is most needed beyond just simplification, is it more guidance, a financial aid officer in each high school, or a guidance counselor? I have always felt that we don't give our juniors and seniors in high school enough guidance about what they are going to be faced with when they graduate from high school. They need some preparation for what alternatives are there and assistance in thinking about what options are there.

I'm sort of putting my own priority out there. I'd like to know if you had just one wish at this point, what it might be, to help us go in a certain direction.

Mr. Roberts.

Mr. ROBERTS. Other than simplifying the form for low-income students, my other wish would be that we have a universal training program for guidance people. I know that is going to cost some money, but a lot of our guidance staff are so inundated with so many other problems that the brighter kids are going to have the opportunity because they are going to be identified earlier. The effect is that the average kid who goes through the high school process without having any attention paid to him, and maybe by his or her senior year they are a "B" or better student, so they are able to go to a State institution, but they don't have enough information. With all the cutbacks in our public school system, I don't know what can be done. I know when I see a young person, I have to sit down with them and explain to them not only that they are able to go to college but that they can afford it, because the obvious message out there is that even if you are able to get in, you are not going to be able to afford it. That's the message that poor kids get. So any way we can simplify this process I think will go a long way to help those kids realize that they have the opportunity to go on to post-secondary education.

And I don't want to put the burden on high school guidance counselors because I think they are burdened enough. Just getting those kids in and out of high school is a tremendous enough burden, without them having to become experts in financial aid.

I would like to see colleges and universities and community colleges come together and maybe adopt a school and provide financial aid types of services to those particular schools.

Senator KASSEBAUM. Thank you.

Ms. Gregory.

Ms. GREGORY. Yes. That kind of thing is happening a lot now. We are actually starting it with the middle schools. I did a middle school program Wednesday night. It is difficult to pin down for them exactly the way things will be three or 4 years from now when their children are entering high school, but we are starting to get to them earlier, and I think one wish I have, especially because I do deal with so many low-income people and people who are recipients of AFDC and other welfare programs, is a situation where they can simply answer one or two questions beyond their name, and they are eligible for financial aid.

Right now, we even collect the information on how much they receive in AFDC benefits. Why is that necessary? If they are receiving it, they are poor. And they don't even know how much they received. I have yet to meet one who knows the dollar amount they received last year. They have to go back to their social worker and collect the information. We are putting them through too many hoops, and I would really like to shorten that.

Senator KASSEBAUM. Thank you very much.

Senator PELL. Thank you, Senator Kassebaum.

Senator Simon.

Senator SIMON. Thank you very much.

Just to underscore the simplification, I remember in, I think it was 1976 when we reauthorized the Higher Education Act, and we simplified the ability to get student loans. And we had this massive infusion of people taking student loans and, I might add, coming into college. What a great blessing that was for this country. But about 70 percent, as I recall, of those who came in under the simplified program would have been eligible before, but they were prevented by the barrier of those forms from coming in.

I am not sure how we get from here to there, but we sure ought to be trying. I was just looking at one question in here: "Is either of your parents certified"—and "certified" is in bold letters—"as a dislocated worker by the appropriate agency?" Not only do we have certified public accounts now—we have certified dislocated workers. It is tough enough to have a parent as a dislocated worker, then you've got to find out whether that parent is certified as a dislocated worker. So many of these things just don't make sense.

But Ms. Gregory, you said something—and maybe I misunderstood or misinterpreted—just kind of a throwaway phrase in another sentence, that a lot of the information that is gathered today is information that maybe some sociology department somewhere would like to have, but is not essential for the student aid picture at all. Am I incorrectly reading what you said?

Ms. GREGORY. No, I don't think so, and it depends a lot on the institution and the system that is considering the student. Each State, each institution has decided what their favorite form, what their favorite method, what information they need to process financial aid beyond the Federal questions; they are comfortable with that system, they are comfortable with that form, and that is the way they have always done it, that's the way it works for them, and that is the way they'll continue to do it.

Right now, for example, I'll take anything a student brings in. I'm not picky. A student can fill out the AFSA, bring me a student aid report—fine—they will get all of their financial aid. They can go through any system, although as I said, they won't get any Maryland State scholarships unless they do the one particular system, the Financial Aid Form.

There are a lot of questions on all of those additional forms, the ones that ask the questions beyond the Federal core. There is one section, for example, on the Financial Aid Form that just asks all kinds of biographical information. You have to give the ages of your children; how many children do you have, how many between the ages of zero and five, six and ten. I don't need that information, and I don't know what anyone is using it for, but because it is on the particular form that my State is using, my students will complete that information, and that is a waste of their time.

So yes, there is a lot of information that is being collected that I don't even know what everyone is doing with it. I don't know why it is there, but I know if someone didn't ask for it, it wouldn't be there.

Senator SIMON. Someone put it on way back when somewhere, and we're stuck with it. Now, let me just ask this question of the three of you. Part of the problem is obviously not the Federal Government, but part of it may be the State or can be a college or university.

Is there any way we can deal with that aspect of it?

Ms. HICKS. Again I would refer to a proposal you will hear more about on the next panel. But in a sense what you have to do is create a bifurcated system, one system, which is simple, that allows low-income families to apply for Federal assistance, again using the analogy of a 1040EZ and a 1040, and then allow those of us who do feel for purposes of equity that we need to ask more complicated questions to do that and have that not be under the control of the Federal Government. It would be monitored insofar as students who are receiving Federal aid could not be over-awarded—you'd want to guard against that—but to allow that to develop according to the needs of a State or an institution.

Very few students in this country apply to more than one or two institutions. Most students attend institutions locally. So I think we can accommodate the needs of most students with a simplified Federal form that asks only the essential questions, that will target money to the neediest students without encumbering the whole system.

Senator SIMON. And the three of you have seen this form we are going to hear testimony about in the next panel, and all three of you think that form moves in the right direction?

Mr. ROBERTS. Yes. The Maryland State Scholarship program, for example, requires students to fill out the whole FAF. That program gives preference to Baltimore City kids, so we require those kids to fill out that form so they have the opportunity to receive aid——

Senator SIMON. But that can be separate, right?

Mr. ROBERTS. Yes, that can be separate. And I think the form that you have spoken of is an excellent start. Something has to be done because if you look at the statistics, we are losing more poor

kids; those kids are not attending post-secondary education. I did even an impromptu study and found out that a lot of my young men were opting out of the process very early. I don't know if it had anything to do with the form, but it was sometimes a result of the form being so difficult, so that a lot of my young men, and you'll find a lot of black males, are not attending post-secondary education as well.

Senator SIMON. The percentages are going down.

Mr. ROBERTS. That's right.

Senator SIMON. But if I may pinpoint you a little more, you said that this other form is an excellent start. That's not saying the same thing as it is excellent.

Mr. ROBERTS. Right. Well, my opinion is that you don't really need to ask a whole lot of questions of kids who are poor. If I could create my own form, I would ask for some of the biographical data and then ask for verification of income, and that would probably include maybe 10 questions.

Now, I know State agencies and Federal forms need additional information, but I think the colleges are going to send kids supplemental forms anyway, and that information can be asked there, or if they want to apply for a Maryland State Scholarship and they need additional information, they can also fill out a small form there. But the initial form I think does not need to have that many questions. We can skip all the way down once a kid has been identified as low income.

Senator SIMON. One other question that I will address to all of you. We are always running into people who fall through the cracks—I am sure you see this, too—and the campus-based programs are supposed to help that. We don't want to create paperwork, but should there be some kind of appeals process—not something very formal—where you fill out even the simplified form, and if it looks like you are falling through the cracks, you can stick a letter on there and say "This is why this is not giving a fair picture of my situation." Should there be some kind of—and a computer cannot process that easily, and I understand—but should we have some addendum on here that a student applicant can put on there?

Ms. GREGORY. Well, that kind of situation exists at individual schools. For example, I think most of the longer forms, the MDE forms that exist, do have a section where students are asked to write down their special circumstances. But since you are very often dealing with very highly automated institutions, they never look at it, they never see it. They are getting information on computer tape, and they never see what any student attaches in writing to the application and is xeroxed and sent on to the school. It just does in the folder, and that is the end of it.

Within the individual institutions, students can do that; they can appeal the decision that comes out through the need analysis, but only with campus-based programs. With Pell we have no professional judgment. The numbers are what they are. If you can't get Pell, you can't get Pell. We do have a little more flexibility with some of the other programs for unusual circumstances, and we can take a look at those case by case and see what is necessary

Senator SIMON. And is your feeling that we should just keep the rigidity at the Federal level and provide that flexibility in the campus-based programs?

Ms. GREGORY. I think that we should have the flexibility with professional judgment, but I'd like to see us go back to it with Pell as well. That is the major program for my students; that is where most of my money comes from. And since we can't do that with the Pell grant, if there is anything that we want to change, or if we decide there are certain items that can come off the form and now be professional judgment, that's fine, but I won't be able to use it to get a student a Pell grant. Except for a loan, that's pretty much all I'm going to be able to get for my students, and I discourage loans; I block the door to loans.

Ms. HICKS. I would also underscore the importance of professional judgment. Before you arrived, Senator, Dr. Fitzgerald had talked about the fact that we can eliminate a question about medical and dental expenses because it has very little impact across the board, for example, on the amount of a Pell grant a student receives. The impact in eliminating that data element by not requiring everyone to look up their medical expenses is 63 cents in the Pell grant.

Obviously, for a family, though, that has extraordinary medical expenses, it would have a very significant impact not only on their Pell grant but the other forms of aid they receive. So it is very important to provide a mechanism whereby families can explain their special circumstances, and individual financial aid officers can respond to that. You can't put all students into the same category.

So the trade-off is unless you want to ask all the questions to respond to every family's unique situation, you need to ask fewer questions, but retain the ability on the campus level to deal with people as unique individuals with their special circumstances.

Senator SIMON. It does seem to me that somehow a little greater flexibility is needed. I talked to a young woman recently whose parents were separated—and I know you have gone through all these things—and she just clearly falls through the cracks. Somehow we have to help people like that.

Well, Mr. Chairman, I thank you, and I thank the members of the panel.

Senator PELL. I would just comment there that we have in the past given discretion to the student financial aid officers for the Pell grants, but the Appropriations Committee has knocked that out every time because it costs money.

Senator Kassebaum.

Senator KASSEBAUM. Mr. Chairman, I'd like to follow up for my own information. The multiple data entry processing applies basically to the additional questions from the various States. Do the MDE's just do the work required on and beyond the Federal form?

Ms. GREGORY. They collect the Federal core questions and additional information and then process all of it.

Senator KASSEBAUM. True, but if there weren't the additional questions, they wouldn't be involved.

Ms. GREGORY. Right.

Senator KASSEBAUM. So it is basically up to the State at that point.

Ms. GREGORY. Or the institution.

Senator KASSEBAUM. Or the institution, because at that point there is no charge. As you say, the charge is the fee for the additional questions that are required.

Ms. HICKS. If I could add, there are two processors of Federal forms right now—the multiple data entry processors, who initially receive the information, keypunch it, do the calculations according to the two different formulas, and then transfer that information to a central processor. The central processor then runs different database matches with Selective Service, Immigration and Naturalization.

You might still need to have multiple data entry processors in order to deal with the volume of 7 million filers; but whether those processors need to overlay their questions on a Federal application is an entirely different question.

Senator KASSEBAUM. Thank you, Mr. Chairman.

Senator PELL. Thank you.

Am I correct in assuming that each of you would give automatic eligibility for AFDC recipients?

Ms. GREGORY. Yes.

Ms. HICKS. Absolutely, and not require them to do much in terms of renewal.

Mr. ROBERTS. Yes.

Senator PELL. May the record show that each witness responded enthusiastically affirmatively. [Laughter.]

We now come to our third panel—Dr. Stanley Koplik, executive director of the Kansas Board of Regents, Topeka, KA, on behalf of the Advisory Committee on Student Financial Assistance; Ms. Natala K. Hart, executive director of the State Student Assistance Commission of Indiana, on behalf of National Association of Student Financial Aid Administrators; and Ms. Linda Waddell, director of financial aid, Lane Community College, Eugene, OR, representing The College Board.

Dr. Koplik, please proceed.

STATEMENTS OF STANLEY Z. KOPLIK, EXECUTIVE DIRECTOR, KANSAS BOARD OF REGENTS, TOPEKA, KA, ON BEHALF OF ADVISORY COMMITTEE ON STUDENT FINANCIAL ASSISTANCE; NATALA K. HART, EXECUTIVE DIRECTOR, STATE STUDENT ASSISTANCE COMMISSION OF INDIANA, INDIANAPOLIS, IN, ON BEHALF OF NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS; AND LINDA WADDELL, DIRECTOR OF FINANCIAL AID, LANE COMMUNITY COLLEGE, EUGENE, OR, ON BEHALF OF THE COLLEGE BOARD

Mr. KOPLIK. Thank you, Senator.

Good morning, Mr. Chairman, Senator Kassebaum, Senator simon.

My name is Stanley Koplik, and I am chairman of the Advisory Committee on Student Financial Assistance and executive director of the Kansas Board of Regents. Let me take just a couple of seconds to introduce a couple of my colleagues on the advisory committee who are here and attending this hearing. Lynn Burns is director of student financial aid at Roger Williams College in Bristol,

RI, and Jill McCormick is executive director of the Texas Guaranteed Student Loan Program.

Senator PELL. Welcome.

Mr. KOPLIK. On behalf of the advisory committee, I would like to thank the subcommittee for the opportunity to present our recommendations on simplification.

As you know, Congress created the advisory committee in the Higher Education Amendments of 1986 to make recommendations that will result in the maintenance of access to post-secondary education for low- and middle-income students.

At Congress' request our committee delivered on April 8 its reauthorization recommendations in the form of an overview report and legislative language implementing each proposal. Today I am here to discuss several recommendations that deal directly with simplifying the delivery of Federal student aid.

The advisory committee believes that in spite of important changes legislated by the Congress in 1986, the entire delivery system has remained overly complex and that this complexity frustrates and discourages both low- and middle-income students and parents. Let me define the problem.

I will use five examples to illustrate how students and parents, especially low income, disadvantaged and minority populations, view the delivery system that we have placed in their paths.

First, the vast majority of our neediest college-bound youth, those for whom our programs are in large part designed and those with the lowest income and virtually no assets, many of whom are on public assistance, are currently required to complete overly complex forms designed to assess the need of the wealthiest families in our country.

It is our standard practice also to allow them to be charged a fee, basically and fundamentally to prove to us that they are already poor.

Second, if that weren't bad enough, we currently assess the eligibility and need of our most disadvantaged youth and families under four separate need analysis models even though for the vast majority, the four results are virtually identical. That is, each of the models simply tell us what we should have already known—that these students and families are very poor.

Third, we not only do this the first time they apply for Federal student aid, we make those already in school, struggling to persist, start from scratch each year with a blank form—even the millions for whom circumstances have not changed appreciably. And by the way, we charge most of them yet another fee every time they apply.

Fourth, for youth from families who are but slightly better off, whose circumstances also beg for a streamlined form—and this includes many middle-income families—we routinely collect asset information even though our complex models have told us for years that their assets—as you know, primarily in the form of small amounts of home equity—are not readily available for post-secondary expenses nor do they meaningfully contribute to the families' ability to pay.

Fifth and perhaps most important, for the population most at risk—low income, disadvantaged and minority students in middle

school and early high school—the message we send about the programs we have designed with their future in mind is complex, ambiguous and often plainly incorrect. Rather than speak to these students and families with a clear, unified and simple message about their considerable drawing power on Federal, State and institutional programs if they successfully complete a college preparatory curriculum in high school, we allow confusion and misinformation to prevail.

These are not random anecdotes or far-fetched examples designed to persuade you that our delivery system needs some fine-tuning. These are regular events that literally define our delivery system in the eyes of students and parents across our Nation. They happen in the majority of cases, in virtually all States, and on virtually all campuses. They serve no educational purpose and potentially undermine the effectiveness of our programs by discouraging students and families already beleaguered by the economic and social changes occurring in this decade.

Fortunately, the worst aspects of Federal delivery can be eliminated during this reauthorization. The advisory committee's current and past members—we have college presidents, financial aid directors, educational association executives, bank officers, guarantee agency presidents, State higher education officials and students—are convinced that the delivery system can be made much simpler and more effective.

However, the committee believes that we must proceed with some caution. We should be careful to build on what is already in the law and avoid making changes that will in fact increase complexity. In the advisory committee's deliberations over the last 18 months, we had the opportunity to review many proposals to modify the delivery system. Quite frankly, while perhaps well-intentioned, some of these proposals were very troublesome and would be very counterproductive. Let me give you a couple of examples.

Elimination of free Federal processing by MDE's—those multiple data entry processors you talked about a moment ago—is simply doing away with the system called for by the Congress and begun by the Department of Education in 1991-92—in the committee's view, it would be a terrible mistake to do away with that.

Formulating, testing and implementing a brand new need analysis model, adding new and complicated offsets or allowances to existing models, or changing terminology—it is hard to see how such changes won't create more confusion throughout the process.

Wholesale exemption of certain sub-populations from submitting even the most basic data threatens the reliability and validity of Federal databases, already somewhat troublesome, and it is unlikely that States and institutions will accept such blanket exemption.

Allowing institutions to experiment with and develop non-common forms potentially leads to hundreds of different approaches rather than a simple, common approach.

Reducing the number of MDE's without requiring them to deliver free Federal processing—currently, less than 2 percent of students filing through MDE's who charge a fee are using free Federal need analysis.

The committee is convinced that such approaches are not advisable and will increase complexity, decrease the effectiveness of our delivery system, increase fees to students and undermine the principle of equal access.

The advisory committee believes that Congress can significantly simplify and improve the delivery of Federal student aid by taking the following actions.

First and most important, fully implement the free simple Federal need analysis intended by Congress by creating incentives or requirements for States and institutions to use it. Without this step, the committee feels that little progress can be made toward simplification.

Further simplify requirements for students eligible for simplified need analysis, in particular those who have family income below $10,000 or are already AFDC recipients. You have heard this point previously.

Integrate the Pell and Congressional Methodology models into one model with a simple needs test by using one of the formulas as a foundation—but let's get away from multiple models; let's use one model, make a decision which one we shall use or what modifications to one of the existing models we will make, but use one model.

Initiate a pilot project using electronic data exchange and develop other procedures for streamlining re-application so that both low- and middle-income students already in our system and already in our database can reapply simply and quickly.

Extend eligibility for simplified need analysis to at least $20,000, and perhaps further to $30,000 adjusted gross income, thereby eliminating the need for many middle-income families with only very modest assets to report these assets.

Restructure Federal information dissemination and outreach to simply and clearly community the amount of financial aid that at-risk students will qualify for if they finish college preparatory high school programs. Early awareness and intervention is a missing ingredient in our incentive approach.

Redesign and expand Federal training efforts so that every Federal, State and institutional agent in the delivery system understands and can communicate our collective promise of assistance to needy families.

Mr. Chairman, members of the subcommittee, the Advisory Committee on Student Financial Assistance is convinced that these rather modest changes are required to fully realize the goals of the Federal student aid programs, especially that of equal access, by the year 2000.

I appreciate the opportunity to share these views with you, and I'll be pleased to address any questions during the course of this hearing.

Senator PELL. Thank you very much.

[The prepared statement of Mr. Koplik follows:]

PREPARED STATEMENT BY MR. KOPLIK

Good morning, Mr. Chairman and members of the subcommittee. My name is Stanley Koplik and I am Chairman of the Advisory Committee on Student Financial Assistance and Executive Director of the Kansas Board of Regents. On behalf of the

Advisory Committee members, I would like to thank your Subcommittee for the opportunity to present our simplification recommendations for the upcoming reauthorization of the Higher Education Act. As you know, Congress created the Advisory Committee in the Higher Education Amendments of 1986. The Committee's most important charge is to make recommendations that will result in the maintenance of access for low- and middle-income students. In 1989, Congress also asked our Committee to identify and explore issues for consideration during this reauthorization.

At Congress' request the Committee delivered to the Congress on April 8, its reauthorization recommendations in the form of an overview report and legislative language implementing each proposal. Briefly, those recommendations fall into three broad areas:

—promoting equal access to post-secondary education
—integrating and simplifying models, forms and processes used to deliver Federal student aid; and
—enhancing the ability of Congress and the Department to address critical policy issues facing the Title IV Programs.

Today, following your instructions for this hearing, I am here to present those of our recommendations that deal directly with simplifying the delivery of Federal student aid. I would like to proceed by first identifying five aspects of the current system that were found to be especially troubling to the Advisory Committee. Second, I will enumerate the constraints that the Committee used in identifying potential solutions. Third, I will briefly describe the manner in which the worst problems might be solved during this reauthorization.

I would like to state at the outset that the Advisory Committee has employed a comprehensive approach that identified unnecessary complexity throughout the entire delivery system. Rather than viewing complexity as a characteristic of individual aspects of delivery, the Advisory Committee would suggest that, inspite of important changes made by Congress in 1986, the entire system has remained overly complex, that we all share the responsibility for complexity, and that a piecemeal approach is not likely to result in much improvement. The Advisory Committee also believes that system-wide complexity frustrates and discourages students and parents and does not promote equal access to other goals of the student aid program.

Five Dimensions of the Complexity Problem

Let me use the following five examples to illustrate how students and parents—especially low-income, disadvantaged and minority populations view the delivery system that we have placed in their paths.

First, the vast majority of our neediest college bound youth—those for whom our programs are in large part designed and those with the lowest income and virtually no assets—many of woman are on public assistance—are currently required to complete overly complex forms designed to assess the need of the wealthiest families in our country. It is our standard practice, also, to allow them to be charged a fee, basically to prove they are poor.

Second, if that weren't bad enough, we currently assess the eligibility and need of these our most disadvantaged youth and families under four separate models—even though for the vast majority, the four results are virtually the same. That is, each of the models simply tell us what we should have already known—that these students and families are very poor.

Third, we not only do this the first time they apply for Federal student aid, we make those already in school, struggling to persist, start from scratch each year with a blank form—even the millions for whom circumstances have not changed. And by the way we charge most of them yet another fee every time they apply.

Fourth, for youth from families who are but slightly better off whose circumstances also beg for a streamlined form—and this includes many middle-income families—we routinely collect asset information even though our complex models have told us for years that their assets—primarily in the form of small amounts of home equity—are not readily available for post-secondary expenses nor do they meaningfully contribute to the families' ability to pay.

Fifth, and perhaps most important, for the population most at-risk—low-income, disadvantaged and minority students in middle school and early high school—the message we send about the programs we have designed with their future in mind, is complex, ambiguous and often plain incorrect. Rather than speak to these students and families with a clear, unified, and simple message about their considerable drawing power on Federal, State and institutional programs if they successfully complete a college preparatory curriculum in high school, we allow confusion, misinformation and disenhancement to prevail.

Mr. Chairman, members of the Subcommittee, these are not anecdotes or far fetched examples designed to persuade you that our delivery system needs some fine tuning. These are regular events that literally define our system in the eyes of students and parents across our nation. They happen in the majority of cases in virtually all States and on virtually all campuses. They serve no educational purpose and potentially undermine the effectiveness of our programs by discouraging students and families already beleaguered by the economic and social changes occurring in this decade. Fortunately, for students and families and all of us, these worst aspects of Federal delivery can be eliminated during this reauthorization. All we need do—motivated by our common interest in the educational well-being of our youth and our shared desire that they and their families make sound decisions—is come together using existing knowledge and technology to simply take the next steps intended by the Congress in 1986.

Constraints in Identifying Solutions

Mr. Chairman, members of the Subcommittee, these issues of course are not new. Many of the Advisory Committee's current past members have been struggling with these problems for almost two decades. Our members have included college presidents, financial aid directors, educational association executives, bank officers, guaranty agency presidents, State higher education officials, and students. All are convinced that the delivery system can be made much simpler and more effective. However, their expertise and experiences also allowed our Committee to identify five constraints in searching for and choosing among potential solutions to complexity:

—First, we do not need, during this reauthorization to reinvent the wheel—an approach that almost always leads to more complexity rather than less. An example would be formulation, testing, and implementation of a brand new very different need analysis or program eligibility model for Federal aid.
—Second, the Advisory Committee believes it would be a mistake to proliferate further either the forms or treatments now in use. An example would be a separate form for low-income students. Another would be separate models for different programs. Options like these, we are convinced, have caused confusion in the past and are simply not advisable.
—Third, it would be tragic to reduce the Federal commitment to and responsibility for maintaining a state-of-the-art delivery system by, for example, allowing the Department to cut costs by down-grading delivery. This will simply mode low-income students more dependent on third party processors to deliver information to States and schools for a fee.
—Fourth, none of our changes during this reauthorization should make it more difficult for the Department to monitor, manage and guarantee the integrity of the programs. An example of this kind of mistake would be exempt certain subpopulations from submitting even the most basic data.
—Fifth, our modifications to delivery in the form of legislative changes must not ignore implementation. An important example of failure to include, a plan for implementation is the current system where free simple Federal need analysis can be denied disadvantaged students by an institution.

In addition to these constraints, the Committee's also sought simplification proposals that, to the extent possible, had neutral budget and redistrictive effects.

Committee Recommendations

With these constraints in mind, the Advisory Committee has identified and like to offer the following recommendations:

—To eliminate the practice of low-income disadvantaged and minority students filing complex forms and paying fees:
  —further simplify requirements for student eligible for simplified need analysis; in particular, those who
  —have family income below $10,000; or
  —are AFDC recipients; and
  —fully implement free simple Federal need analysis by creating incentives or requirements for States and institutions to use it
—To eliminate complexity associated with multiple models integrate the Pell and Congressional Methodology models into one model with a simple needs test by using one of the formulas as a foundation. All of the data received by the Advisory Committee suggest this is both feasible and desirable.
—To eliminate the complexity and associated burden of reapplication:
  —initiate a pilot reapplication project using (Stage Zero) electronic data exchange; and
  —develop other procedures for institutions without electronic capabilities.

—To eliminate the complexity of asset data collection from low- and middle-income families:
  —extend eligibility for simplified need analysis to at least $20,000; and perhaps further to $30,000 AGI.
—To eliminate the complexity and disenhancement resulting from misinformation and conflicting signals to middle school and early high schools students
  —restructure Federal information dissemination and outreach to simply and clearly communicate the amount of financial aid that at-risk students will qualify for if they finish college preparatory high school programs.
  —redesign and expand Federal training efforts.

Mr. Chairman, members of the Subcommittee, the Advisory Committee is convinced that these changes are required to fully realize the goals of the Federal student aid programs. Thank you for this opportunity to present them. I will be pleased to address any questions you might have.

Senator PELL. Ms. Hart.

Ms. HART. Chairman Pell, members of the subcommittee, it is a pleasure to be with you this morning. I am Natala Hart, and I am executive director of the State Student Assistance Commission in Indiana, and here on this occasion to represent the more than 3,100 institutions of the National Association of Student Financial Aid Administrators. We appreciate this opportunity to appear and to discuss an important component of NASFAA's reauthorization proposal, the simplification of the student aid delivery system.

NASFAA conducted a systematic review of its membership to determine the needs of students and institutions as we approach reauthorization of the Higher Education Act. Hearings were held in each of our member regions, input solicited from individual members, an extensive dialogue between a task force formulated by NASFAA to look into reauthorization, its membership, and has just concluded with positions by the board of directors of the association.

There were four themes considered to be important by NASFAA in reauthorization and I believe simplification to be among the most important of those. NASFAA has created a cohesive, comprehensive approach to make the delivery system more understandable and accessible to students while maintaining high values throughout the process.

The major focus for simplification itself among these themes by NASFAA arose from work that began even earlier than our reauthorization work. That was work begun to try to reform the application process itself, the vehicle by which students begin to apply for financial aid.

The goals of the application work, though, did not begin as simplification. They began as an attempt to improve equity and access to student assistance, to assure the equitable distribution of funds among student applicants and ease of entry into the process so that the process did not present the barrier that you have heard today it sometimes does.

What resulted is an application that is equitable, is accessible, but also is more simple. The instrument has been entitled "A Plan for Reform." The plan and its resultant application, which you have as an attachment to my testimony and also appears on the easel before you, has several key features.

First, behind the scenes of the application, we have worked out what we believe to be the adequate details to merge the existing two methodologies—that currently used for Pell grants and for

other title IV funds—into a single methodology. We believe we are prepared to advance that single methodology to you to support the streamlining of the system.

This form and the definition of independent student have been greatly streamlined, we believe, to identify and distinguish those students who should be dependent upon their parents' resources versus those who are dependent upon their own resources. This is the major reason that this form looks more straightforward and more simple than the existing student aid forms.

This form contains a point that you have heard repeatedly in these hearings this morning: Automatic full eligibility for families who receive public assistance benefits. A student or parent completing this form would end at question 10, move directly to the certification statement, and would have full eligibility for Federal student aid. It would mean that we would only ask them to complete demographic information, information about fundamental program eligibility—they don't even have to report the amount of AFDC benefits. As you have heard, that can be problematic. They simply state and certify that that is the case, and they are fully eligible.

It consolidates in this form several information processes that we believe currently tie up students in the system, and it is backed by key interfaces with several Federal databases so that additional questions don't have to be asked of students where direct database-to-database matches may resolve those issues.

This form also eliminates questions about assets for families whose parents have incomes below $20,000 and who file a 1040A or a 1040EZ form. If you look, for example, at question 23, following question 23 on this form, it simply directs those families who have that condition—low income and a 1040A or 1040EZ—to stop there. We know that asset questions are often problematic for families, and we have evidence that families in these low incomes don't have any change in their Federal eligibility, so we exempt them from response to those asset questions.

Senator Simon asked the question earlier about families who have unusual circumstances. Section C of this form allows those families who believe that the form, for whatever reason, do not adequately reflect their circumstances to self-identify so that the college or university or State agency might follow up directly with the family.

Critical to this process is the role of financial aid professionals in making student aid sensitive to the family. That is supported by section C of the form, but fundamentally rests on the ability for professional judgment to continue.

When the aid administrator can review added information from the campus itself, can talk with other professionals who deal directly with the student, and can employ their own experiences in dealing with that individual student, a lot of information can be removed from the form while enabling the system to remain fair and equitable for students.

The plan also assumes the additional mechanism—we have called it "resource analysis" just so it has a label that we can talk about—that would allow those institutions that need additional questions or State agencies to do so. Betsy Hicks in the prior panel

described those needs to you at least from Harvard's perspective. But resource analysis would enable those institutions in a more unified way to collect that information and to use that potentially as a vehicle for professional judgment and for use in awarding other non-Federal funds.

NASFAA members also believe that additional aspects of the student aid delivery system warrant simplification and believe that simplification overall can be achieved while remaining high value and consistent with Congressional intent, by standardizing the student loan processes and the applications associated with them, by streamlining loan deferments to try to reduce instances of technical defaults, and by standardizing reporting among institutions, guarantee agencies and lenders so that consistent and solid information is available.

In closing, let me reiterate that in the student aid process, we find most critical that the values of equity and access are preserved. Wherever possible within a structure that supports those values, simplicity should be achieved. We believe that the model that we have presented today, that evolved through years of thorough involvement from administrators who represent students of every type in our country, will if implemented improve students' ability to achieve their educational goals.

Thank you for this opportunity to present these ideas. NASFAA looks forward to assisting you in these efforts and I stand ready to answer any questions that you might have.

Thank you.

Senator PELL. Thank you very much.

[The prepared statement of Ms. Hart (with attachments) follows:]

PREPARED STATEMENT BY MS. HART

Chairman Pell, members of the subcommittee: My name is Natala Hart. I am executive director of the State Student Assistance Commission of Indiana and, on this occasion, here to represent the more than 3,100 institutional members of National Association of Student Financial Aid Administrators (NASFAA). We appreciate this opportunity to appear before you today to discuss an important component of NASFAA's reauthorization proposals, the simplification of Federal student aid delivery.

NASFAA has conducted a systematic review of its membership to determine the needs of students as we approach reauthorization of the Higher Education Act. Hearings were held in our member regions and input was solicited through publications specifically targeted toward reauthorization. A specific Task Force was formed which spent the last two years identifying issues, submitting proposed solutions to the NASFAA membership, and concluding positions through the Board of Directors of the Association.

One of four themes determined to be essential was simplification of the student aid delivery process. NASFAA has created a cohesive, comprehensive approach to make the delivery system more understandable and accessible to students, while maintaining high values for all participants in the process.

The major focus for simplification arose from work begun even earlier on reforming the application process—that vehicle by which students initially begin to apply for student aid. The goals of the work were equity and access: Assuring equitable distribution of funds among student applicants, and ease of entry into the process, so that the process itself did not present a barrier to higher education.

What resulted is a process which we believe is equitable and accessible—but also is more simple. The instrument has been titled "A Plan for Reform." The Plan has several key features:

—One method for determining eligibility for all types of Federal funds, replacing the two existing methods, one for Pell grants and the other for the balance of funds (the so-called "Congressional Methodology").

—Automatic full eligibility for students or parents who receive Aid to Families with Dependent Children or other similar programs that clearly identify families as having full need for Federal student aid.
—Consolidation of several information gathering processes into one form, backed by direct interfaces with other Federal data bases so that those questions do not burden students in this process.

Elimination of questions about assets for parents with low incomes who file a 1040A or 1040EZ or who do not file a tax return.

I have attached a copy of NASFAA's proposed application and a copy of the 1991-92 Application for Federal Student Aid to my testimony for your reference. These documents illustrate the effect of NASFAA's Plan on the application form, in terms of application length and data element reduction.

Critical to this process is the role that financial aid administrators will play in making student aid sensitive to the individual family. The ability of aid administrators to document and determine unique circumstances using their "professional judgment" is key. When the aid administrator can review additional information available on the campus, can access other professionals who also deal with the student, and can employ her or his experience in determining a family's circumstances, a great deal of information collection can be lifted from the application process while keeping the system fair and equitable for all students involved.

The Plan also assumes that an additional mechanism will be developed for the circumstances of families with greater resources. This "Resource Analysis" will be used selectively when families have higher incomes, more assets, and multiple income sources. It is proposed to be a vehicle to document the basis for professional judgment in awarding Federal aid and for use with institutional or other non-Federal funds.

NASFAA members feel that additional aspects of the student aid delivery system also warrant simplification and believe that simplification can be achieved without destruction of values and congressional intent inherent in the current system:

—The Stafford Loan, SLS, and PLUS loan processes should be standardized to enhance clear identification of the loan process (as contrasted with the grant process).
—Loan deferments should be streamlined to reduce instances of "technical" defaults.
—Student Status Confirmation Reports should be standardized to assist in accurate, regular reporting of student information.

In closing, let me reiterate that in the student aid process, values such as equity and access must be preserved. Wherever possible within a structure supporting those values, simplicity should be achieved. We believe the Plan for Reform model that evolved from thorough involvement by financial aid administrators throughout the country does all of that—and will, if implemented, improve students' ability to achieve their educational goals.

Again, thank you for inviting us to appear before you to discuss this important topic. NASFAA looks forward to assisting you in these efforts and stands ready to provide you with any assistance you may need.

[Draft Federal Financial Aid Program Application forms follows:]

DRAFT FEDERAL FINANCIAL AID PROGRAM APPLICATION

(Be sure to read instructions first)

Section A: STUDENT INFORMATION

1. Your Name	Last	First	MI
2. Your permanent mailing address (mail will be sent to this address. See page x for state abbreviations).	Number and street (include apartment number)		
	City	State	Zip
3. Your Social Security Number _____ - _____ - _____ 4. Your Date of Birth _____ / _____ / _____ Month Day Year	5. Are you a U.S. citizen? ___ Yes, I am a U.S. citizen. ___ No, but I am an eligible noncitizen. (See instructions on page x.) ___ No, neither of the above. (See instructions on page x.)	6. Will you have your first Bachelor's degree before July 1, 19XX? ___ Yes ___ No 7. In the 19XX-XX school year, check your year in college. ___ 1st (never previously attended college) ___ Continuing Undergraduate ___ Graduate/Professional	

Section B: ELIGIBILITY FACTORS Complete questions 8 and 9 about you, the student.

8. Student Eligibility Certifications	
a. Are you currently in default on any educational loan?	yes ___ no ___
b. Do you currently owe a refund or a repayment on any education grant?	yes ___ no ___
c. Have you ever been convicted of a drug felony?	yes ___ no ___
9. Student Dependency Status (complete the following five items about you, the student.)	
a. Will you be 24 years or older as of 7/1/XX?	yes ___ no ___
b. Will you be a graduate/professional student when you first attend college during the 19XX-XX school year?	yes ___ no ___
c. Will you be supporting a legal dependent (other than a spouse) during the 19XX-XX school year?	yes ___ no ___
d. Are you a ward of the court or an orphan?	yes ___ no ___
e. Are you a veteran of the U.S. Armed Forces? (see instructions before completing).	yes ___ no ___

- If you, the student, answered yes to one or more of questions 9a, 9b, 9c, 9d, or 9e, complete only Column A beginning with question 10. Do not complete Column B.
- If you, the student, answered no to all of questions 9a, 9b, 9c, 9d, and 9e, then you (the student) and your parent(s) must complete both columns A and B. You should begin with question 13; your parent(s) should begin with question 10. (If your natural parents are not now living together, please read the instructions on the definitions of "parent" (page 1) before completing the rest of this form.)

	Column A Student (and Spouse)		Column B Parent(s)	
10. Are you currently receiving welfare, AFDC, or public assistance benefits (do not include food stamps or SSI)? If "yes" in either column, GO to Section C. If "no," you must complete remainder of form.	yes ___ no ___		yes ___ no ___	
11. Number of family members in 19XX-XX				
12. Number of family members (excluding parents) in college who are enrolled at least half time in 19XX-XX				
13. Current marital status (check only one item per column) a. *unmarried (single, divorced, or widowed)* b. *married* c. *separated*	a. _____ b. _____ c. _____		a. _____ b. _____ c. _____	
14. Will you be eligible to receive veterans education benefits in 19XX-XX? (Do not include spouse benefits.) If yes, how much will you receive per month?	yes ___ no ___ $			
15. Did you receive untaxed social security in 19XX? If yes, how much was received in the 19XX year (12 months)?	yes ___ no ___	$	yes ___ no ___	$
16. Did you receive child support in 19XX? If yes, how much was received in the 19XX year (12 months)?	yes ___ no ___	$	yes ___ no ___	$
17. Did you receive any other untaxed income, wages, or benefits in 19XX? (see instructions before completing) If yes, how much was received in the 19XX year (12 months)?	yes ___ no ___	$	yes ___ no ___	$
18. 19XX Adjusted Gross Income from IRS Form 1040- line XX Form 1040A- line XX, Form 1040EZ- line XX, or see instructions		$		$
19. a. 19XX income earned from work by father b. 19XX income earned from work by mother	$ _____ $		$ _____ $	

	Column A: Student (and Spouse)		Column C: Parent(s)	
20. 19XX total number of exemptions from IRS Form 1040- line XX; Form 1040A- line XX; Form 1040EZ- line XX; or see instructions				
21. 19XX U.S. Income Tax paid from IRS Form 1040- line XX; Form 1040A- line XX; Form 1040EZ- line XX	$		$	
22. Total income (add items 15, 16, 17, and 18)		$		$
23. Indicate which of the following is the correct statement concerning your own (and your spouse's) and your parents' (if applicable) tax filing status: a. A 19XX federal tax return will be filed but is not yet completed. b. A 19XX federal tax return Form 1040 has been completed. c. A 19XX federal tax return Form 1040A or Form 1040EZ has been completed. d. A 19XX federal tax return will not be completed or filed.	a. _____ b. _____ c. _____ d. _____ Continue with item 24.		a. _____ b. _____ c. _____ d. _____ If you checked item 23c or 23d above and the answer in item 22 is $20,000 or less, skip to Section C. If you checked item 23a or 23b, continue with item 24.	
24. Total amount of cash, savings, and checking accounts	$		$	
25. Home- what it is worth today Home- what is owed on it today	$ _____ $		$ _____ $	
26. Business- what it is worth today Business- what is owed on it today	$ _____ $		$ _____ $	
27. Farm- what it is worth today Farm- what is owed on it today	$ _____ $		$ _____ $	
28. Other investment(s)- what it is worth today Other investment(s)- what is owed on it today	$ _____ $		$ _____ $	

Section C: SPECIAL CIRCUMSTANCES

Use this section to identify yourself as having special circumstances such as a loss of income or benefits, or a change in family circumstances, for example, death, divorce, disability, or return to school with a substantial reduction in income, please provide full details by writing directly to the financial aid office at each of the colleges to which you are applying.

29. Will you be providing information on special circumstances? Yes _____ No _____
If yes, please provide full details by writing directly to the financial aid office at each of the colleges in which you are applying.

Section D: COLLEGE RELEASE AND CERTIFICATION

30. You may have the results of this form sent to three colleges in 19XX XX. List the name of the college(s) you want results sent to.

_____
Name of College/Street Address/City/State/Zipcode

_____
Name of College/Street Address/City/State/Zipcode

_____
Name of College/Street Address/City/State/Zipcode

I, the student applicant, certify that I will use any money I receive under the Title IV student financial aid programs only for expenses related to attendance at the college(s) I enroll in during the 19XX XX school year. All of the information on this form is true and correct to the best of my knowledge. If asked by an authorized official, I agree to give proof of the information that I have given on this form. I realize that this proof may include a copy of my U.S., state, or local income tax return. I realize that if I don't give proof when asked, the student may not get aid.

I authorize the information given on this application form to be released to the first three schools listed, to the Department of Education, and the appropriate state student assistance agency.

Student signature _____ Date _____ Student state of legal residence _____
(Required)

Spouse signature _____ Date _____
(Required if married)

Parent signature _____ Date _____ Parent state of legal residence _____
(Required if parental information is included on this form.)

Senator PELL. Ms. Waddell.

Ms. WADDELL. Thank you.

Mr. Chairman and members of the subcommittee, I am Linda Waddell, and I am director of financial aid at Lane Community College in Eugene, OR. I am also the vice chair of the College Scholarship Service Assembly, and I have been a professional aid administrator for 18 years.

The College Scholarship Service, or CSS, is the financial aid division of the College Board, and the CSS Assembly is like an association within an association—1,900 post-secondary institutions, high schools and agencies within the larger College Board membership that have a special interest in financial aid.

One of the principal challenges of the upcoming reauthorization is to simplify the delivery of student aid while preserving equity in the distribution of dollars. Balancing these two goals—simplicity and equity—is far from easy, especially in light of continuing changes in the student population, family structure, college costs, and the economy at large.

An effective working partnership between all parties involved in the student aid delivery system is essential if equitable simplification is to be achieved. Simplification must be pursued simultaneously on many fronts including form design, methodology, administration, and information and guidance. We have many ideas about how to approach equitable simplification, summarized in Appendix I of my written statement.

Today I want to describe four of the College Board's recommendations. To illustrate their impact, I will compare two documents.

One is the current Application for Federal Student Aid, or AFSA, that was distributed in Appendix II and was referred to earlier today. As you know, it is the common financial aid application referenced in statute, and the Federal core of all multiple data entry, MDE, forms like the CSS's Financial Aid Form.

The other form in Appendix III is a simplified version of the common Federal aid application. It does not reflect current statute and regulation. However, it is our conception of how the form might look if statute and regulation were simplified, because contrary to popular opinion, the form isn't what makes the process complicated; it is the process that complicates the form.

First, idea number one. If you look at section B of the AFSA, you will see that 16 questions are required to carry out the current definition of dependency status. If you want to simplify things, start here. Simplify the definition as we recommend, and you can cut 11 questions right off the form.

Idea number two. Eliminate the data elements and treatments that affect comparatively few applicants. The AFSA and all current MDE forms ask many such questions about dislocated workers, displaced homemakers, filers with excess medical and dental expenses, parents who pay private school tuition for other children and other subjects. The truth is that questions like these affect a pretty small portion of the filing population, but everyone filling out the forms still have to plow through them.

We didn't put questions like this on our draft. We didn't think they were needed on the form. Congress could still authorize special consideration for these types of problem cases, but you could

do so under the rubric of professional judgment without cluttering up the form.

Idea number three. If you look at the bottom half of page 3 of the AFSA, you will see a place where you could really make a difference, not just on the form but in the experience of very low-income applicants.

Many of us worry that such applicants have the greatest difficulty and apprehension about forms. The so-called simple needs test simply is not. It takes several questions just to figure out whether you qualify. We recommend that you repeal the simple needs test and create an application bypass for very low-income filers. Permit those applicants to provide only basic demographic and to skip all more detailed questions about income and assets. The point is they don't have any.

Who would qualify for this simpler approach? Public assistance recipients, for starters. And why not parents whose total income is less than the IRS earned income credit limit, whose incomes are in fact so low that they can file the 1040A, the 1040EZ, or not file at all.

Then further amend the law to automatically accord maximum eligibility to anyone who qualifies for the application bypass. In short, a family on AFDC doesn't need to prove that they are poor again. And a family whose income is so low they are not even required to pay income taxes can't contribute to educational expenses, so why force them through the hoops?

My final idea, idea four. Another thing that complicates the financial aid system is having two separate methodologies—others have spoken to this issue as well—one for Pell grant and one for other title IV programs. Families find the two methodologies confusing; aid administrators find them burdensome, and policymakers and forms processors alike find them difficult to maintain, analyze and update. That is why we propose an integration of the Pell grant and part F need analysis methodologies into a single methodology.

We have provided the rationale and the computational detail for such an integration in our legislative proposals, and we will gladly cooperate with the effort to further analyze the formulas and the results to ensure that the proposed formulas do not produce unintended redistributions of aid.

Distributing finite dollars on the basis of relative financial need is a complex undertaking, but the complexity should lie in the tough policy decisions that undergird the programs, not in the application process or in the administration of the programs. By working together under the leadership of Congress, we can and should simplify many aspects of the system with which students and their families have to interact. The members of The College Board and the CSS Assembly stand ready to help you do that.

Thank you.

[The prepared statement of Ms. Waddell (with attachments) follows:]

PREPARED STATEMENT OF MS. WADDELL

I am Linda Waddell, the director of financial aid at Lane Community College in Eugene, OR, and the vice chair of the College Scholarship Service Assembly.

On behalf of the 2,800 institutions, schools, and agencies that comprise the membership of the College Board, I am pleased to have the opportunity to participate in this and other discussions about the reauthorization of the Higher Education Act. The ideas I will discuss today are included in a package of legislative proposals described in more detail in Appendix I; they were also submitted to the House Postsecondary Education Subcommittee earlier this month.

The College Board shares this subcommittee's commitment to strengthening the Federal role in post-secondary education. The Federal investment in post-secondary access is a vital element in meeting national goals of equal educational opportunity, social justice, and global economic competitiveness.

Since 1900, the College Board, a nonprofit membership association, has actively promoted broader access to higher education. Through its various programs, services, forums, and activities, the College Board seeks to facilitate students' transitions from one educational level and/or setting to another.

The College Scholarship Service was founded in 1954 by College Board member colleges that sought agreement on common practices and standards for awarding scholarships and other need-based aid. The goal of CSS is to foster equitable and efficient administration of aid programs, while making the delivery system as rational and manageable as possible for students and their families.

The College Scholarship Service Assembly is an association-within-an-association: 1,900 post-secondary institutions, high schools, and agencies within the larger College Board membership that have a special interest in, and concern about, financial aid.

CSS has long been in the forefront of efforts to promote partnership with government and other agencies in the improvement of the financial aid delivery system. CSS was a leader in convening the National Task Force on Student Aid Problems, chaired by Francis Keppel, the former United States Commissioner of Education, in the mid-1970's.

CSS was also the first to implement a "common form" with which students could apply for all types of assistance—Federal, State, institutional, and private. It was this concept that led directly to the creation of Multiple Data Entry (MDE), with its many benefits for the Federal government, State agencies, post-secondary institutions, private scholarship programs, and, above all, students and their families. CSS is currently one of five approved MDE processors.

The Challenge of "Equitable Simplication"

One of the principal challenges of the upcoming reauthorization is to simplify the delivery of student aid while preserving equity in the distribution of dollars.

Balancing these two goals—simplicity and equity—is far from easy, especially in light of continuing changes in the student population, family structure, college costs, and the economy at large.

An effective working partnership between all the parties involved in the student aid delivery system is essential if "equitable simplification" is to be achieved. Simplification must be pursued simultaneously on many fronts, including form design, methodology, administration, and information and guidance. Now more than ever, America's families need the active commitment of all partners—the Congress, the Department of Education, the 50 States, post-secondary institutions, and private scholarship programs—to make the delivery system work better on behalf of students.

Statute and regulation must be simplified before the forms or any other aspect of the delivery system can be simplified. Contrary to the conventional wisdom, the form itself is not what makes the process complicated. It's the process that complicates the form.

Appendix II to this testimony is the current Application for Federal Student Aid, or AFSA (see Appendix II). The AFSA is the "common financial aid application" referenced in statute, and the "Federal core" of all approved Multiple Data Entry (MDE) forms, such as CSS's Financial Aid Form (FAF).

The AFSA is as "simple" as forms can get under current statute and regulation, since it contains only Federal elements, and none of the additional questions required by State scholarship and grant agencies, colleges, and private programs for the administration of their own funds and selection of recipients for certain Federal programs. But even the AFSA is not simple.

CSS has drafted, for discussion purposes, an alternative AFSA (see Appendix III). (While arrayed across four pages for ease of reading and review, the data elements on this draft could be comfortably compressed into two pages.) Its design does not reflect current statute and regulation. Rather, it's an idea of how the "Federal core" might look if statute and regulation were simplified along the lines of the College Board's reauthorization proposals.

Determining Dependency Status

In the current AFSA, fully 16 questions—several of them quite complex—are required to establish dependency status under the existing definition. Simplification could start right there, but not as a matter of form design. The definition of self-supporting student status itself has to be simplified.

The College Board's proposal for simplification is:

—*Preserve the current automatic criteria*—age 24 or older, veteran status, orphan or ward of the court, or dependents other than a spouse—but change the date on which age 24 must be established from January 1 to July 1 to correspond with the awarding cycle.

—*Permit graduate and professional students to establish independence automatically* without reference to any other conditional criteria.

—*Eliminate all conditional criteria.*

—*Allow aid administrators to exercise their professional judgment* to classify as independent those students who do not meet any of the automatic criteria but who are genuinely self-supporting.

What are the effects of this proposal? First, using that simplified definition, student dependency status can be determined by five simpler questions, as illustrated on the discussion draft in Appendix III—a savings of 11 data elements.

Second, it introduces no new inequities into the system. The preponderance of applicants—nearly 85 percent—already establish their independence on the basis of automatic (rather than conditional) criteria, according to an analysis of a 10,000-case sample drawn from CSS's 1990-91 filing population:

Table 1. Impact of Independent Student Criteria

	% Filers establishing independence
Over age 24	76.6
Veteran	1.3
Orphan/ward of the court	1.3
Legal dependents	5.4
Undergraduate conditional criteria	8.7
Graduate/married conditional criteria	5.7
Professional judgment	1.0

That analysis further suggested that an estimated 10.5 percent of currently self-supporting students might become dependent on the basis of the proposed new definition, unless professional judgment were applied. In many such cases, professional judgment probably would be applied, provided that sufficient evidence of self-support was available. The average age of these students was 21; their average Adjusted Gross Income (AGI) was about $10,000; on average, they were in their third undergraduate year in college. (About 8 percent of them had provided parental income and asset information when they completed the 1990-91 need analysis form.)

In summary, the proposed definition would be simpler to understand and administer.

Handling Special Cases Through Professional Judgment

By eliminating elements from the statutory formulas that affect comparatively few applicants, both the need analysis methodology the form would be simplified.

In the current Pell and part F methodologies, many such special treatments exist: For dislocated workers, displaced homemakers, filers with excess medical/dental expenses, applicants whose parents pay private-school tuition for other children, etc. Because the special treatments exist in the methodologies, the AFSA—and all other MDE forms—must ask questions related to establishing eligibility for, and determining the amount of, the special treatments.

An analysis of CSS's 1990-91 filing population reveals that only 1.9 percent of dependent filers' parents meet the criteria for dislocated-worker status, and only 25 percent fulfill the conditions for displaced-homemaker status. (The percentages among self-supporting filers were even lower.) Only 11 percent of dependent filers' parents reported elementary/secondary school tuitions in excess of $0. While many filers reported medical/dental expenses, the average amount of their allowance against income was only $606, which has a negligible effect on the bottom-line contribution expected of them. (For about 15 percent of filers reporting such excess expenses, however, a substantial allowance of nearly $3,200 was produced—demonstrating the continuing need to allow the exercise of professional judgment in assessing a family's ability to provide funds for education.)

Currently, even though these special treatments and associated questions are applicable to relatively small percentages of the filing population, all filers must answer them.

Such questions do not appear on the Appendix III draft, because the College Board's reauthorization proposals eliminate the special treatments in the methodology in favor of handling such special cases through the exercise of professional judgment under section 479 of the Higher Education Act. In fact, we propose the addition of language to section 479 specifically authorizing consideration for problem cases like these. Even without such language, however, most aid administrators would want to extend special treatment to a student whose father had just lost a job, or who was herself a displaced homemaker. But affording special consideration to some students does not require cluttering up the form for all students.

Streamlining Applications for the Neediest

Ask any school counselor who has ever tried to explain it, any aid administrator who has tried to administer it, or any applicant who has ever tried to complete it: The "Simple Needs Test" on the current AFSA is not simple. Students have to complete several questions just to figure out whether they quality!

The College Board strongly recommends that the Congress repeal the provision, and create instead an "application bypass" for very low-income filers. This is a concept that the College Board initially defined and advanced back in 1986. There are at least two categories of people who might qualify for the bypass:

—Recipients of public assistance who are the parents of dependent applicants, or who are themselves self-supporting aid applicants, and
—Dependent filers' parents, provided that they file an IRS 1040A or 1040EZ (or are not even required to pay taxes at all), and have total taxable income of less than the IRS earned income credit limit.

Such a bypass would permit certain filers to provide only basic demographic data on the application form, and skip the more complicated income and asset questions. Individuals who qualify for the application bypass would automatically be accorded maximum eligibility.

To assess the impact of this proposal, the College Board examined the distribution of parents' contributions in its 10,000-case sample for those dependent filers who would quality. As Table 2 demonstrates, nearly 13 percent of its filing population would quality, and 82 percent of them already demonstrate for parents' contributions under current part F need analysis. (Note: Table 2 uses total taxable income of $20,000, rather than the earned income credit limit, but the effects would be comparable.)

Table 2. Distribution of Primary CM PC for Dependent Bypass Qualifiers

PC (primary)	AFDC recipients		Nonfilers Wages <$20001		1040A/EZ-AGI<$20001		Total	
	N	%	N	%	N	%	N	%
$ 0	40	6.4	181	28.8	296	47.1	517	82.2
1 to 50	0	0	2	.3	6	1.0	8	1.3
51 to 100	1	.2	2	.3	5	.8	8	1.3
101 to 150	0	0	0	0	7	1.1	7	1.1
151 to 200	0	0	1	.2	5	.8	6	1.0
201 to 250	0	0	1	.2	6	1.0	7	1.1
251 to 300	0	0	0	0	2	.3	2	.3
301 to 350	0	0	1	.2	5	.8	6	1.0
351 to 400	0	0	1	.2	2	.3	3	.5
401 to 450	0	0	0	0	6	1.0	6	1.0

Table 2. Distribution of Primary CM PC for Dependent Bypass Qualifiers—Continued

PC (primary)	AFDC recipients		Nonfilers Wages <$20001		1040A/EZ AGI<$20001		Total	
	N	%	N	%	N	%	N	%
451 to 500	0	0	0	0	6	1.0	6	1.0
501 to 750	0	0	2	.3	10	1.6	12	1.9
751 to 1000	0	0	0	0	7	1.1	7	1.1
1001 to 1250	0	0	0	0	10	1.6	10	1.6
1251 to 1500	0	0	0	0	2	.3	2	.3
1501 & higher	4	6	6	1.0	12	1.9	22	3.5
Total	45	7.2	197	31.3	387	61.5	629	100

The College Board further recommends that the law be amended to authorize the Secretary to enter into agreements with institutions for the purpose of conducting pilot projects with alternative application mechanisms for low-income applicants. The purpose of such projects would be to demonstrate or determine the feasibility and value of mechanisms for assessing need and eligibility that are not reliant on a completed "common financial aid application." Possible innovations that might be explored under such an authority include alternative forms, computer software, and guided interviews.

In summary, a family on AFDC does not need to prove they are poor; they already demonstrated their need when they qualified for AFDC. And parents whose income is so low they are not even required to pay income taxes cannot reasonably be expected to contribute more than a pittance to their children's educational expenses. So why force them to answer questions that have no relevance to their financial condition?

The Dilemma of Dual Methodologies

Another factor that complicates not just the forms, but virtually every aspect of the need analysis and eligibility determination processes, is the existence of two separate methodologies—one for Pell grants and one for all the other title IV programs.

Families find two sets of formulas confusing. Aid administrators find them burdensome. Policymakers and forms processors alike find them difficult to maintain, analyze, and update. The College Board proposes, therefore, the full integration of the Pell grant and part F need analysis methodologies into a single methodology.

The theory and computational detail associated with such an integrated methodology are described in depth in draft legislative language amending parts B and F. In developing its proposal, the College Board tended more towards the current part F need analysis methodology than the current Pell grant methodology. The computations result in a "parent share" and a "student share," constructs analogous to the current "parents' contribution" and "student's contribution" (but renamed for ease of public understanding).

The proposal does take into account one very critical difference between the current Pell and part F methodologies. In order to preserve continuity in the awarding of Pell grant dollars and the unique, quasi-entitlement character of the Pell Program, the College Board proposes an adjustment to the expected family share called the "Pell Eligibility Number."

The Pell Eligibility Number would be calculated as the last step in need analysis by subtracting the minimum student share from earnings from the expected family share. The intent of this unique adjustment is to ensure that dependent and self-supporting students who have no family share beyond their own contribution from earnings continue to receive maximum Pell grant awards, as is the case at present. (Need and eligibility for all other title IV funds currently requires a minimum student contribution from earnings.)

In the proposed new methodology, the Pell Eligibility Number would not be the result of a separate methodology, but rather, an adjustment to the methodology performed specifically for Pell purposes.

The College Board believes that a merger of the two existing methodologies is both feasible and appropriate. However, further research and analysis of a very high order will be required to ensure that it does not produce unintended redistribu-

tion effects or other dislocations. The College Board will gladly cooperate with such an effort.

Streamling Data Flow

There are other factors beyond form and methodology that complicate the delivery of aid unnecessarily, and which cannot be remedied by adjustments to definitions, data elements, and formulas. A prime example is the current requirement that an institution must wait until it has an applicant's Student Aid Report (SAR) in hand to pay a Pell grant, even if it already has official results from a certified MDE processor.

One of the College Board's legislative proposals, therefore, is to permit an institution to pay a Pell grant on the basis of an official result—whether that result is delivered directly by a certified MDE processor, brought or mailed in by the applicant, or transmitted by any other means that the Secretary might choose to designate. Such a change would substantially simplify the data flow, and result in a more timely delivery of award notifications and actual dollars to students.

Better Information and Guidance

Insufficient information and guidance about the process also complicates student aid delivery. "Gaps in Parents' and Students' Knowledge of School Costs and Federal Aid," the GAO study commissioned last summer by Senator Edward M. Kennedy, reveals that many students and parents have sketchy information at best about either the reality of college costs or the possibility of financial aid.

Information about the availability of aid does not necessarily motivate students to pursue post-secondary education, but as the GAO report suggests, it can be "part of a chain of influences leading to completion of additional schooling." For students at the lowest income levels, such information is critical, for surely they will not and cannot enroll without it. Student aid dollars alone are not enough. More and earlier help is needed if we are to increase the rate at which the most disadvantaged students enroll in, and succeed at, higher education.

Concern about more, better, and earlier information and guidance underlie several of the College Board's reauthorization proposals, such as the creation of a new authority under the College Work-Study Program that would encourage institutions of higher education to utilize eligible college students in early-outreach activities aimed at low-income junior high and high school students.

In recognition of the increasingly critical role of guidance counselors in facilitating students' transitions from one educational setting and/or level to another, the College Board also recommends the reauthorization for an additional 4 years of the "Congressional Teacher Scholarship Programs," and an expansion of eligibility to include individuals preparing for careers in school-based counseling.

A third recommendation calls for significantly increasing the authorization levels for the TRIO programs so that they will be able to serve more than the approximately 20 percent of the eligible population now covered.

The College Board also endorses two proposals advanced by the American Council on Education (ACE), one authorizing a new authority under the State Student Incentive Grant (SSIG) Program to provide matching grants to States for creating or expanding early intervention programs for at risk students, and the other authorizing the Secretary to make contracts for an early awareness information program aimed at high school students and families.

Conclusion

Distributing finite dollars on the basis of relative financial need is a complex undertaking. But the complexity should lie in the tough policy decisions that undergird the programs, not in the application process or in the administration of the programs.

By working together under the leadership of the Congress, all the partners to the delivery system can—and should—simplify many aspects of the system with which students and their families have to interact. The members of the CSS Assembly and the College Board stand ready to work with the Congress in that effort.

Simplicity, Equity, and Integrity: An Agenda for the Reauthorization

The College Board
April, 1991

The College Board's Reauthorization agenda was developed over the course of many months in consultation with its Board of Trustees, the Advisory Panel to the Washington Office, the College Scholarship Service (CSS) Council, the CSS Council Committee on Standards of Ability to Pay (CSAP), the financial aid divisions of the six Regional Assemblies of the College Board, and the Advisory Committee to the Office of Adult Learning Services. These ideas were submitted to the House Postsecondary Education Subcommittee and the Senate Subcommittee on Education, Arts, and Humanities in April, 1991.

Simplify application forms, need analysis methodology, and delivery

Distributing finite subsidy dollars on the basis of relative financial circumstances is a complex undertaking. But the complexity should lie in the *policy* that undergirds the programs, not in the application process or the practice of student aid administration. Simplifying aspects of the system with which students and families interact will promote greater public understanding of, and confidence in, the process.

- **Integrate the Pell Grant and Part F (i.e., Congressional) methodologies** into a single methodology. The maintenance of two separate methodologies complicates the assessment of need and eligibility. Families find the dual methodologies confusing; aid administrators find them burdensome; processors and policymakers alike find them difficult to maintain, analyze, and update.

- **For Pell purposes, adjust the outcome of the new, integrated methodology by subtracting the amount of the minimum student share from earnings from the expected family share,** producing a "Pell Eligibility Number."

- **Permit institutions to pay a Pell Grant on the basis of an official Pell Eligibility Number, whether the result is delivered directly by a certified MDE processor, by the applicant, or by such other means as the Secretary might choose to designate.** This change will simplify the data flow and result in more timely delivery of both award notifications and dollars.

- **Use more understandable language throughout Title IV wherever possible,** such as "family share" instead of "family contribution" (which carries an inaccurate connotation of being voluntary).

- **Eliminate complicating data elements and treatments that affect comparatively few applicants,** such as the special allowances for dislocated workers and displaced homemakers, medical/dental expenses, and elementary/secondary school tuition.

- **Remove veterans' benefits from the Part F need analysis formulas** and treat all such benefits consistently as a resource available to the applicant.

- **Place greater reliance on the professional judgment of aid administrators** to address such special circumstances as the foregoing.

- **Repeal the Income Contingent Loan Program.** The program has never garnered wide community or public support, and funds required to fund it in future years can be reallocated to better effect.

Streamline the delivery of aid to very low-income applicants

Their needs are great, their resources are extremely limited, and their interactions with the delivery system can and should be simplified.

- **Repeal the complicated "Simple Needs Test," and instead permit certain filers to provide only basic demographic data on the application form and skip all income and asset questions.** Qualifying for the bypass: recipients of public assistance who are the parents of dependent filers or are themselves independent filers; dependent filers' parents who do not file an IRS Form 1040 and whose total taxable income is less than the IRS earned income credit limit.

- **Automatically accord all filers qualifying for the application bypass a zero parents' share (if they are the parents of dependent students) or a zero student's share (if they are self-supporting students).** Dependent filers whose parents are public assistance recipients would also be permitted to skip student income and asset questions. Part F would assume a minimum student share from earnings.

- **Authorize the Secretary to enter into agreements with institutions for the purpose of conducting projects designed to demonstrate or determine the feasibility and value of alternative mechanisms for assessing need and eligibility without recourse to a completed common application form.** Possible innovations: alternative applications, computer software, guided interviews, early estimates.

Increase assistance to the neediest by restoring the purchasing power of Pell Grants

Rising college costs and a decade of inflation without any increase in the Pell maximums have reduced Pell Grant Program's support for the neediest students and eroded the purchasing power of the grants.

- **Increase the maximum award to $4,000** [$2,500 for living expenses and up to $1,500 for tuition, limited to 25 percent of tuition]. The effects of the proposal would be to increase support for the neediest students, provide more realistic living-expense budgets and greater tuition sensitivity, and recoup inflationary losses in the Pell Grant's purchasing power over the last decade. *(Note: This proposal is being advanced by the American Council on Education (ACE) on behalf of 12 higher education associations; the College Board endorses it in principle.)*

Simplify the definition of independent student status

The current definition is too complicated. Students can't understand it; aid administrators find it difficult to administer; the 16 questions currently required to fulfill it make the form look intimidating.

- **Preserve the current automatic criteria** (but change the date on which age 24 must be established January 1 to July 1 to correspond with the awarding cycle).

- **Permit graduate and professional students to establish independence automatically** without reference to any other conditional criteria.

- **Eliminate all conditional criteria.**

- **Allow aid administrators to exercise their professional judgment** to classify as independent those students who do not meet any of the automatic criteria but who are genuinely self-supporting.

Provide for greater sensitivity, equity, and currency in need analysis

Some aspects of the current methodology violate principles of horizontal and/or vertical equity; others fail to reflect current realities about family attitudes and expenditure patterns; still others are rapidly becoming ossified in law. We can do better.

- **Cap home value at three times income.** (The methodology would compute home equity using either the reported home value minus the mortgage or the total income times three minus the mortgage, whichever is lower.) Such a treatment would provide some relief to families whose home values in "boom markets" have far outstripped their true incomes, while maintaining equity between homeowners and renters.

- **Increase the minimum student share from earnings** from $700/$900 to $900/$1100 (for dependent students) and from $1200 to $1500 (for self-supporting students), and tie this and subsequent derivations to the federal minimum wage. This provides an economic rationale for deriving and updating minimum contributions (which are now fixed in law).

- **Rename the Standard Maintenance Allowance (SMA) the "Income Protection Allowance (IPA)," and compute its value on the basis of norms derived from the annually conducted Consumer Expenditure Survey (CES)**, rather than from the historical BLS budget standards inflated annually for changes in the CPI.

- **Create an Educational Savings Protection Allowance (ESPA),** to eliminate the perceived disincentives to saving in Part F need analysis by ensuring that a dependent student's expected family share is not disproportionately increased because the parents have chosen to save for college.

- **Exclude parents from the number-in-college adjustment,** but permit financial aid administrators to exercise professional judgment by accounting for their unreimbursed direct educational expenses as an allowance against income, provided that the parents are enrolled in degree or certificate programs. This is a more progressive treatment of families in varying economic circumstances whose parents are enrolled in postsecondary education than current practice.

- **Modify Part F need analysis to treat all independent students without children in a similar manner,** except that the assessment rate on income be set at a "flat" 70 percent (in order to correspond to the treatment proposed in NASFAA's Plan for Reform).

- **Provide for the annual updating of the asset conversion rate tables in Part F** by increasing values to reflect increases in the Bureau of Labor Statistics (BLS) Consumer Expenditure Survey. (The asset conversion tables have not been updated since prior to the last reauthorization, and are currently fixed in law.)

- **Establish a mechanism and a timetable for structuring annual review and updating of Part F formulas and tables.** The goal is to ensure the continuing vitality of the methodology. The Secretary will be directed to solicit advice from the educational community and the public, and present proposals to the Congress for consideration between reauthorizations.

Reinforce and reward program quality and integrity.

Access remains the touchstone of the Higher Education Act, but on behalf of students, we must ask: "Access to what?"

- **Authorize the Secretary to establish objective performance standards** for the administration of Title IV programs, in consultation with appropriate institutions and agencies. Provide also for systematic program reviews and both automatic and on-site recertification reviews. Require timely notification of the Secretary by accrediting agencies of action taken with respect to a particular institution. *(Note: The College Board endorses in principle this proposal from ACE.)*

- **Authorize the Secretary to develop a program of regulatory relief,** under which institutions that meet or exceed objective performance standards are eligible to apply for exemption from portions of Federal regulation. Examples of areas subject to possible waivers or modifications: requirements related to transferring funds between programs, reporting to the Federal government, audits and program reviews, collecting data from and/or reporting data to applicants and prospective applicants.

- **Permit institutions eligible under Title III, Parts A and B, to use funds to institute such changes as may be required to meet objective performance standards** established pursuant to enactment of the foregoing.

Support earlier guidance and outreach, especially to at-risk students.

Student aid dollars alone are not enough. More *and earlier* help is needed to increase the rate at which the most disadvantaged students enroll in and succeed at higher education.

- **Encourage institutions of higher education to develop College Work-Study programs involving eligible students in early-outreach activities aimed at low-income junior high and high school students.** (A new authority under College Work-Study would parallel the current Community Service Learning provisions of CWS.)

- **Reauthorize for an additional four years, expand eligibility to include individuals preparing for careers in school-based counseling, and rename the program the "Congressional Teacher and Counselor Scholarship Programs."** The broadened focus would recognize the increasingly critical role of guidance counselors in facilitating students' transition from one educational setting and/or level to another.

- **As a condition of participation in Title IV programs, require postsecondary institutions to report on enrollments and institutional finances to the Integrated Postsecondary Education Data System (IPEDS),** modified as appropriate to accommodate proprietary accounting practices.)

- **Authorize a new authority under the State Supplemental Incentive Grant (SSIG) Program that provides matching grants to encourage states to create or expand early intervention programs for at-risk students.** *(Note: The College Board endorses in principle this proposal from ACE.)*

- **Expand the authorization of the TRIO programs** beyond the approximately 20 percent of the eligible population now served.

- **Authorize the Secretary to make contracts for an early awareness information program** aimed at high school students and families. *(Note: The College Board endorses in principle this proposal from ACE.)*

- **Enact provisions of H.R. 1524,** the "Student Counseling and Assistance Network Act of 1991."

Application for Federal Student Aid

FREE!

1991-92 School Year

NOTICE

You can use the ***FREE*** "Application for Federal Student Aid" (AFSA) to apply for financial aid from **Federal student financial aid programs.** However, for most State and private aid programs you will have to fill out other forms. To find out more about which form you should use, contact your high school counselor, financial aid office, or State scholarship agency. You'll find more information about Federal student aid programs on this page.

Be sure to read "Information on the Privacy Act and Use of Your Social Security Number" on page 12.

WARNING: You must fill out this form accurately. **The information which you supply can be checked** by your college, or by the U.S. Department of Education.

You may be asked to provide U.S. income tax returns, the worksheets in this booklet and other information. If you can't or don't provide these records, you may not get Federal aid. If you get Federal student aid based on incorrect information, you will have to pay it back, you may also have to pay fines and fees. If you purposely give **false or misleading information** on your application form, you may be fined $10,000, receive a prison sentence, or both.

What Is This Application For?

You can use the form in this booklet as the first step in applying for student financial aid offered by the U.S. Department of Education.

These Federal student assistance programs can help you pay for most kinds of education after high school. The aid is available if you are attending a professional school, a vocational or technical school, or college. This application is for Federal student financial aid for the 1991-92 school year (July 1, 1991 - June 30, 1992).

The information on this page will answer some of your questions about these programs. However, for more information on Federal student financial aid, see **"Additional Information On The Federal Student Financial Aid Programs"** on page 10. The instructions in this booklet will tell you what information you have to provide on the form. If you have any questions after you have read the instructions, seek help. Talk to your high school counselor or the financial aid administrator at the school you want to attend.

OMB No. 1840-0110/APP. EXP. 6/30/92
U.S. Department of Education
Student Financial Assistance Programs

Who Can Get Aid From These Federal Student Financial Aid Programs?

	Pell Grants	Supplemental Educational Opportunity Grants (SEOG)	Perkins Loans
Undergraduate	Yes	Yes	Yes
Graduate	No	No	Yes
At least half-time	Yes*	Yes*	Yes*
Must be a U.S. citizen or eligible noncitizen	Yes	Yes	Yes
Must be registered with the Selective Service (if required)	Yes	Yes	Yes
Must have financial need	Yes	Yes	Yes
Must be working toward a degree or certificate	Yes	Yes	Yes
Must be making satisfactory academic progress	Yes	Yes	Yes
Must not be in default or owe a refund on a Federal grant or educational loan	Yes	Yes	Yes
Conviction of drug distribution or possession may make student ineligible	Yes	Yes	Yes

* In some cases, students going to school less than half-time may be eligible. Check with your financial aid administrator.

** In some cases, students don't have to be in a degree or certificate program. Check with your financial aid administrator.

DEADLINE: May 1, 1992

We must ***receive*** your form by May 1, 1992. Schools may have ***earlier deadlines*** you will have to meet. You should apply as early as possible. Mailing in your form is only the first step in applying for Federal student aid.

INSTRUCTIONS

FOR SHADED AREAS **FOR GRAY SHADED AREAS**

BEFORE YOU BEGIN TO FILL OUT THE FORM, TEAR IT OUT OF THE BOOKLET AND LAY IT ALONGSIDE THE INSTRUCTIONS SO THAT YOU CAN CHECK FOR ADDITIONAL INSTRUCTIONS AS YOU GO ALONG.

The and **GRAY** areas indicate which instructions are for which questions. **Read the instructions as you fill out this form.** Mistakes will delay the processing of your application.

Some instructions appear on the form itself. Since those questions are self-explanatory, no additional instructions are provided. Where additional information is necessary, you will find it in this instruction booklet.

The instructions for this form will usually answer questions that you have. If you need more help, contact your high school guidance counselor or your college financial aid administrator.

Although other people (besides the student who is applying for aid) may help fill out this form, it is about the student. On this form, the words "you" and "your" always mean the student. The word "college" means a college, university, graduate or professional school, vocational or technical school, or any other school beyond high school.

"Student financial aid" means money from educational loans, grants, and scholarships. It also means earnings from the College Work-Study Program or other earnings you received based on your financial aid administrator's determination of your financial need.

Records You Will Need

Get together these records for yourself and your family:

- 1990 U.S. income tax return (IRS Form 1040, 1040A, or 1040EZ).
- 1990 State and local income tax returns.
- W-2 forms and other records of money earned in 1990.
- Records of untaxed income, such as welfare, social security, AFDC or ADC, or veterans benefits.
- Current bank statements.
- Current mortgage information.
- Records of medical or dental bills that were paid in 1990.
- Business and farm records.
- Records of stocks, bonds, and other investments.

Keep these records!

Won't file a tax return. Even if you and your spouse or your parents file no income tax return for 1990, you will need to know earnings for the year. You may also need records showing the amount of other income you are to report on your application.

Tax return not completed yet. If you, your spouse, and/or your parents haven't completed a 1990 U.S. income tax return but will be filing one, **we recommend that you complete your return before filling out this application.** Knowing what will be on your tax return will help you to fill out this application accurately. When your application is compared with the official 1990 IRS Form 1040, 1040A, or 1040EZ that is filed for you and your family, the financial information must agree. If there are **any** errors, you will have to correct the information and send it back to the U.S. Department of Education. If this happens, it will take longer to determine whether you are eligible for Federal student aid. It could mean a delay in getting your student financial aid.

If you, your spouse, and/or your parents filed (or will file) a **"Foreign Tax Return" or** are a **"Native American,"** see page 10.

When You Fill Out This Form

- Use a pen with black or dark ink; don't use a pencil.
- Print carefully, so that your form will be easy to read.
- Round off figures to the nearest dollar. For 50 cents or more, round up; for 49 cents or less, round down.

Section A: Yourself

Write in this section information about you, the student who is applying for aid.

2. Write in the address where you will be receiving mail. All mail will be sent to this address. Don't use the address of the financial aid office or any other office. Use the State/Country abbreviations list below.

State/Country Abbreviations

AL Alabama	IN Indiana	NM New Mexico	VA Virginia
AK Alaska	IA Iowa	NY New York	WA Washington
AS American Samoa	KS Kansas	NC North Carolina	WV West Virginia
AZ Arizona	KY Kentucky	ND North Dakota	WI Wisconsin
AR Arkansas	LA Louisiana	OH Ohio	WY Wyoming
CA California	ME Maine	OK Oklahoma	
CO Colorado	MD Maryland	OR Oregon	CN Canada
CT Connecticut	MA Massachusetts	PA Pennsylvania	FM Federated States of Micronesia
DE Delaware	MI Michigan	PR Puerto Rico	
DC District of Columbia	MN Minnesota	RI Rhode Island	
	MS Mississippi	SC South Carolina	MH Marshall Islands
FL Florida	MO Missouri	SD South Dakota	
GA Georgia	MT Montana	TN Tennessee	MX Mexico
GU Guam	NE Nebraska	TX Texas	MP Northern Mariana Islands
HI Hawaii	NV Nevada	UT Utah	
ID Idaho	NH New Hampshire	VT Vermont	
IL Illinois	NJ New Jersey	VI Virgin Islands	PW Palau

If your place of residence is not included above, leave the State abbreviation blank and write the name of your city and territory or country in the space for city.

4. Write in the two-letter abbreviation for your current State/Country of legal residence. Use the State/Country abbreviations list above.

6. Write in your birth date. For example, if you were born on July 5, 1972, you would write in:

0 7	0 5	7 2
Month	Day	Year

7. If you are a U.S. citizen (or U.S. national), check the first box and go on to question 8. Check the second box and write in your eight or nine digit Alien Registration Number if you are one of the following:

   - U.S. permanent resident, and you have an Alien Registration Receipt Card (I-151 or I-551).

- Other eligible noncitizen with a Departure Record (I-94) from the U.S. Immigration and Naturalization Service showing any one of the following designations: (a) "Refugee"; (b) "Asylum Granted"; (c) "Indefinite Parole" and/or "Humanitarian Parole"; (d) "Cuban-Haitian Entrant."

- Other eligible noncitizen with a Temporary Resident Card (I-688).

If you are a citizen of the Marshall Islands, Federated States of Micronesia, or Palau, see your financial aid administrator.

If you cannot check the first or second box, you **must** check the third box. If you are in the U.S. on only an F1 or F2 student visa, only a J1 or J2 exchange visitor visa, or only a G series visa (pertaining to international organizations), you must check the third box.

9. Check your year in college from July 1, 1991 to June 30, 1992.

10. Check "No" if you do not have a Bachelor's degree and you will not have one by July 1, 1991.

    Check "Yes" if you already have a Bachelor's degree or will have one by July 1, 1991. Also, check "Yes" if you have or will have a degree from a university in another country that is equal to a Bachelor's degree.

Section B: Student Status

Answer question 11. A blank counts as "No."

11. **a.** Check the correct box. (See your answer to question 6.)

    b. Check "Yes" if you are a veteran of active service in the U.S. Army, Navy, Air Force, Marines or Coast Guard. Also check "Yes" if you are **not** a veteran **now** but will be one by June 30, 1992.

    Check "No" if you are or were:

    - never in the U.S. Armed Forces,
    - only an ROTC student,
    - only a cadet or midshipman at one of the service academies,
    - only a National Guard or Reserves enlistee, **or**
    - currently serving in the U.S. Armed Forces, and will continue to serve through June 30, 1992.

    c. Check "Yes" if (1) both your parents are dead **and** you don't have an adoptive parent or legal guardian, or (2) if you are currently a ward of the court. For a definition of a **"Legal Guardian,"** see page 10. Otherwise check "No."

    d. Check "Yes" if you have any children who get more than half of their support from you. Also check "Yes" if other people live with you and get more than half of their support from you and will continue to get that support during the 1991-92 school year. *(Do not include your spouse.)* Otherwise check "No."

"Parents" in questions 12, 14a-14e, and 15 means your mother and/or father, or your adoptive parents, or legal guardian. "Parents" does not mean foster parents, and for this section, it does not mean stepparent. Later, the instructions will tell you if you should supply information about your stepparents.

Unmarried Undergraduate Students Only

12. If your parents claimed you as an exemption on their 1989 and/or will do so on their 1990 income tax return, you must answer "Yes." If your parents are divorced or separated, answer "Yes" if either of your parents claimed you as an income tax exemption in 1989 and/or will do so on their 1990 income tax return. Otherwise check "No."

13. Check the box that best describes when you first received Federal student aid, ***beginning with the 1987-88 school year*** (July 1, 1987 - June 30, 1988). *Check only one box: a, b, c, d, **or** e.*

Federal student aid includes:

- Pell Grant,
- Stafford Loan/Guaranteed Student Loan (GSL), including Supplemental Loans for Students (SLS),
- Supplemental Educational Opportunity Grant (SEOG),
- College Work-Study (CWS),
- Perkins Loan/National Direct Student Loan (NDSL), **or**
- State Student Incentive Grant (SSIG). These grants often have other names such as Student Incentive Grants, Incentive Grants, Tuition Grants, etc.

Below are some examples to help you answer question 13:

EXAMPLE #1 - Buck Bundy received Federal student aid in the 1986-87 and 1987-88 school years. Therefore, Buck should check box "a." Even if Buck had received Federal student aid in the 1985-86 and 1987-88 school years, he should still check box "a," because the first school year (beginning with 1987-88) in which he received Federal student aid is 1987-88.

EXAMPLE #2 - Jeff Akbar ***first*** received Federal student aid in the 1988-89 school year. Therefore, Jeff should check box "b."

EXAMPLE #3 - Wu Lin ***first*** received Federal student aid in the 1989-90 school year. Therefore, Wu should check box "c."

EXAMPLE #4 - Kate Murphy ***first*** received Federal student aid in the 1990-91 school year. Therefore, Kate should check box "d."

EXAMPLE #5 - Vickie Tingley received Federal student aid in the 1986-87 school year and has not received Federal student aid since then. Therefore, Vickie should check box "e."

EXAMPLE #6 - Joaquin Rodriguez has never received Federal student aid. Therefore, Joaquin should check box "e."

14a - 14e. When figuring your resources in questions 14a, 14b, 14c, 14d, **or** 14e be sure to include:

- wages, salaries, and tips, etc.,
- interest income and dividend income,
- any student financial aid (except PLUS loans),
- personal long term cash loans used for educational purposes, **and**
- any other income and benefits (such as veterans cash benefits, fellowships, etc.)

Don't include any resources from your parents such as money that you earned from them or gifts that you received from them.

Married or Graduate/Professional Students Only

15. If your parents will claim you as an exemption on their 1991 income tax return, you must answer "Yes."

You must see your college financial aid administrator before completing the rest of this form if:

- you answered "No" to all of the questions in 11 but after answering questions 12 through 14, or 15 you were told to fill out the gray and the white areas, and
- you were not required to provide parental information in 1990-91, and
- you were claimed by any person, other than your spouse, as a tax exemption in 1990.

Important Instructions for Sections C, D, E, F, G, and I

Parents' information - gold areas

Read the descriptions below. Check the box that is true for you and follow the instructions.

- ❑ **Your parents are both living and married to each other.** Answer the questions on the rest of the form about them.
- ❑ **You have a legal guardian.** Answer the questions on the rest of the form about your **"Legal Guardian."** For a definition of "Legal Guardian" see page 10.
- ❑ **Your parents have divorced or separated.** Answer the questions on the rest of the form about the parent you lived with most in the last 12 months. For example, if you lived with your mother most, answer the questions about her, and not about your father. If you did not live with one parent more than with the other in the last 12 months, answer in terms of the parent who provided the most financial support during that time. If neither parent provided greater financial support during the last 12 months, answer in terms of the parent who provided the greater support during the most recent calendar year. *(Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, payment of college costs, etc.)*
- ❑ **Your parent is widowed or single.** Answer the questions on the rest of the form about that parent.

If you have a stepparent. If the parent that you counted above has married or remarried, you must include information about your stepparent (even if they were not married in 1990).

If you are giving information about your stepparent, note that whenever we say "parents" on the rest of the form, we also mean your stepparent.

Section C: Household Information

Your parents' household information - gold area

16. Show the current marital status of the people that you give information about on this form. For example, if you give information about your mother and stepfather, check the box that says "married," because your mother and stepfather are married.

17. Write in the two-letter abbreviation for your parents' current State/Country of legal residence. See the list of State/Country abbreviations under the instructions for question 2.

18. Write in the number of people that your parents will support between July 1, 1991 and June 30, 1992. Include your parents and yourself. Include your parents' other children if they get more than half of their *support* from your parents. Also include them if they would be required to provide parental information when applying for Federal student aid for the 1991-92 school year. Include other people only if they now live with and get more than half of their support from your parents and will continue to get this support between July 1, 1991 and June 30, 1992. *(Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, payment of college costs, etc.)*

19. Write in the number of people from question 18, including yourself, who will be going to college between July 1, 1991 and June 30, 1992. Include only students enrolling for at least 6 credit hours per term. If the school uses clock hours, include only students attending at least 12 clock hours per week.

Your (& your spouse's) household information - gray area

Fill out this section with information about yourself (and your spouse). If you are divorced, separated, or widowed, don't include information about your spouse.

20. Write in the number of people that you will support between July 1, 1991 and June 30, 1992. Include yourself and your spouse. Include your children if they get more than half of their support from you. Include other people only if they meet the following criteria:
    - they now live with you, **and**
    - they now get more than half of their support from you **and** they will continue to get this support between July 1, 1991 and June 30, 1992.

21. Write in the number of people from question 20, including yourself, who will be going to college between July 1, 1991 and June 30, 1992. Include only students enrolling for at least 6 credit hours per term. If the school uses clock hours, include only students attending at least 12 clock hours per week.

Section D: Your parents' 1990 income, earnings, and benefits

If the instructions tell you to skip a question, leave it blank. If your answer to any other question is "none" or "zero," put a zero in the answer space. **Don't** leave it blank or use dashes. For example:

$ 0 .00

If your parents filed (or will file) a **"Foreign Tax Return"** or a **Puerto Rican tax return,** see page 10.

22. **1990 U.S. income tax figures**

From a completed return. Check only one box to indicate which IRS Form was filed. Use this tax return to answer questions 23 through 28.

Estimated. Check the correct box if your parents have not yet filed but will file a 1990 U.S. income tax return. Use their financial records to answer questions 23 through 28. For these questions, you must write in the figures that will be on the tax return. Filling out a 1990 U.S. income tax return will help you answer these questions.

A tax return will not be filed. Check this box if your parents will not file a 1990 U.S. income tax return. Don't answer questions 23 through 25. Skip to question 26.

If you are giving information for only one parent and that parent filed (or will file) a joint tax return for 1990, give only that parents' portion of the exemptions and income asked for in questions 23 through 28.

If your parents are married and they filed (or will file) separate tax returns for 1990, be sure to include both parent's exemptions and income in questions 23 through 28.

23. **Total number of exemptions for 1990.** Write in the number from Form 1040, line 6e or 1040A, line 6e. If your parent used the 1040EZ and he or she checked "Yes" in question 4 of that form, write in "00." Otherwise, write in "01."

Important: See the table below for some of the types of student financial aid that you should exclude from income and taxes in questions 24 through 28.

Student Financial Aid	Exclude if based on need	Exclude if not based on need
Grants, Scholarships or Fellowships	Yes	Yes
Earnings from a work program including Assistantships	Yes	No
Loans	Yes	Yes

24. **Adjusted Gross Income (AGI) for 1990. Don't include** any income or capital gains from the sale of a business or farm, if the sale resulted from a voluntary or involuntary foreclosure, forfeiture, or bankruptcy or involuntary liquidation.

Use worksheet #1 on page 11 to answer question 24 if you cannot get a 1990 tax form, but will be filing one.

25. **U.S. income tax paid for 1990.** Make sure this amount doesn't include any FICA, self-employment, or other taxes. **Don't** copy the amount of "Federal income tax withheld" from a W-2 Form.

26. **Income earned from work in 1990.**
&
27. **If you skipped questions 23 through 25,** include your parents' earnings from work in 1990. Add up the earnings from your parents' W-2 forms and any other earnings from work that are not included on the W-2.

If you answered questions 23 through 25, include the "wages, salaries, tips, etc." from your parents' Form 1040, line 7; 1040A, line 7; or 1040EZ, line 1. If your parents filed a joint return, report your father's and mother's earnings separately. If your parents own a business or farm, also add in the numbers from Form 1040, lines 12 and 19.

28. **Untaxed income and benefits for 1990.**

28a. **Social security benefits for 1990.** Write in the amount of untaxed social security benefits (including Supplemental Security Income) that your parents got in 1990. Don't include any benefits reported in question 24. Don't report monthly amounts; write in the total for 1990. Be sure to include the amounts that your parents got for you and their other children.

28b. **Aid to Families with Dependent Children (AFDC or ADC) for 1990.** Don't report monthly amounts; write in the total for 1990. Don't report social security benefits.

28c. **Child support received for all children.** Include the student. Don't report monthly amounts; write in the total for 1990.

28d. **Other untaxed income and benefits for 1990.** Add up your parents' untaxed income and benefits for 1990. Use worksheet #2 on page 11. Be sure to include your parent's earned income credit and deductible IRA/Keogh payments, if any.

Everyone must answer the questions in the Student (& Spouse) column in Section D.

Section D: Your (& your spouse's) 1990 income, earnings and benefits

If the instructions tell you to skip a question, leave it blank. If your answer to any other question is "none" or "zero," put a zero in the answer space. **Don't** leave it blank or use dashes. For example:

$ 0 .00

If you (or your spouse) filed (or will file) a "**Foreign Tax Return**" or a **Puerto Rican tax return,** see page 10.

22. **1990 U.S. income tax figures**

From a completed return. Check only one box to indicate which IRS Form was filed. Use this tax return to answer questions 23 through 28.

Estimated. Check the correct box if you (and your spouse) have not yet filed but will file a 1990 U.S. income tax return. Use your financial records to answer questions 23 through 28. For these questions, you must write in the figures that will be on the tax return. Filling out a 1990 U.S. income tax return will help you answer these questions.

A tax return will not be filed. Check this box if you (and your spouse) will not file a 1990 U.S. income tax return. Don't answer questions 23 through 25. Skip to question 26.

If you are divorced, separated, or widowed, and you filed (or will file) a joint tax return for 1990, give only your portion of the exemptions and income asked for in questions 23 through 28.

If you are married and you and your spouse filed (or will file) separate tax returns for 1990, be sure to include both your and your spouse's exemptions and income in questions 23 through 28, even if you were not married in 1990.

23. **Total number of exemptions for 1990.** Write in the number from Form 1040, line 6e or 1040A, line 6e. If you used the 1040EZ and you checked "Yes" in question 4 of that form, write in "00." Otherwise write in "01."

Important: See the table (on the next page) for some of the types of student financial aid that you should exclude from income and taxes in questions 24 through 28.

Student Financial Aid	Exclude if based on need	Exclude if not based on need
Grants, Scholarships or Fellowships	Yes	Yes
Earnings from a work program including Assistantships	Yes	No
Loans	Yes	Yes

24. **Adjusted Gross Income (AGI) for 1990. Don't include** any income or capital gains from the sale of a business or farm, if the sale resulted from a voluntary or involuntary foreclosure, forfeiture, or bankruptcy or involuntary liquidation.

Use worksheet #1 on page 11 to answer question 24 if you cannot get a 1990 tax form, but will be filing one.

25. **U.S. income tax paid for 1990.** Make sure this amount doesn't include any FICA, self-employment, or other taxes. **Don't** copy the amount of "Federal income tax withheld" from a W-2 Form.

26. **Income earned from work in 1990.**

If you skipped questions 23 through 25, include your (and your spouse's) earnings from work in 1990. Add up the earnings from your (and/or your spouse's) W-2 forms and any other earnings from work that are not included on the W-2.

If you answered questions 23 through 25, include the "wages, salaries, tips, etc." from your (and your spouse's) Form 1040, line 7; 1040A, line 7; or 1040EZ, line 1. If you (and your spouse) filed a joint return, report your and your spouse's earnings separately. If you (and your spouse) own a business or farm, also add in the numbers from Form 1040, lines 12 and 19.

28. **Untaxed income and benefits for 1990.**

Don't include benefits reported in questions 28a, 28b, 28c, and 28d of the parent column.

28a. **Social security benefits for 1990.** Write in the amount of untaxed social security benefits (including Supplemental Security Income) that you (and your spouse) got in 1990. Don't include any benefits reported in question 24. Don't report monthly amounts; write in the total for 1990. Be sure to include the amounts that you got for your children.

28b. **Aid to Families with Dependent Children (AFDC or ADC) for 1990.** Don't report monthly amounts; write in the total for 1990. Don't report social security benefits.

28c. **Child support received for all children.** Don't report monthly amounts; write in the total for 1990.

28d. **Other untaxed income and benefits for 1990.** Add up your (and your spouse's) untaxed income and benefits for 1990. Use worksheet #2 on page 11. Be sure to include your (and your spouse's) earned income credit and deductible IRA/Keogh payments, if any.

Section E: College Release and Certification

29. Write in the **complete** name, city, and State of the college(s) that you will **most** likely be going to during the 1991-92 school year. In 29a, write in the name and address of your first college choice. In 29b, write in the name and address of your second college choice. In 29c, write in the name and address of your third college choice. Do not use abbreviations for the name or address of the college. If the college you may be going to is a branch campus, be sure to include the complete name of the branch. If you don't know yet which college(s) you are most interested in, you may leave this question blank.

30. We are permitted by regulation to provide your name, address, social security number, date of birth, Pell Grant Index (PGI), Family Contribution (FC), student status, year in college, and State of legal residence to the college(s) that you listed in question 29a, 29b, and 29c (or its representative), even if you check "No" to question 30b. This information will also go to the State agencies in your State of legal residence to help coordinate State financial aid programs with Federal student aid programs, even if you check "No" to question 30a. However, no additional information such as income information will be sent if you check "No" to question 30a or 30b.

30a. Check "Yes" if you give us permission to send information from this form to the financial aid agencies in your State. Some State agencies ask for this information. They may use it to help decide whether you will get a State award and to check to see if you reported correct information on your State student aid application. Also, they may use it to help in the processing of your application for a Stafford Loan, if you are eligible.

Check "No" if you don't want us to send information from this form to the financial aid agencies in your State. If you check "No," any State aid you might be eligible for may be delayed, but it will have no effect on your Federal aid.

30b. Check "Yes" if you give us permission to send information from this form to the college(s) that you listed in question 29a, 29b, and 29c (or its representative). Many colleges use this information to help estimate the amount of your financial aid package.

Check "No" if you don't want us to send information from this form to the college(s) that you listed in question 29a, 29b, and 29c (or its representative).

31. **Selective Service Registration**

In order to receive Federal student aid you must be registered with Selective Service if:

- you are a male who is at least 18 years old and born after December 31, 1959.

Check the box **only** if you:

- are a male and are 18 through 25 years of age, **and**
- have not yet registered with Selective Service, **and**
- give Selective Service permission to register you.

If you believe that you are not required to be registered, call the Selective Service at 1-800-621-5388 for information regarding exemptions.

32. **Read and sign**

You must sign this form. If you don't sign this form, it will be returned unprocessed. If you are married, your spouse must

FREE! Don't send money

Application for Federal Student Aid

1991-92 School Year

WARNING: If you purposely give false or misleading information on this form, you may be fined $10,000, sent to prison, or both.

"You" and "your" on this form always mean the student who wants aid.

FORM APPROVED
OMB NO. 1840-0
APP. EXP. 6/30/92
U.S. Department of Education
Student Financial Assistance Programs

Section A: Yourself

1. Your name: Last | First | M.I.
2. Your permanent mailing address (Mail will be sent to this address. See page 2 for State/Country abbreviation.): Number and Street (Include Apt. No.) | City | State | ZIP Code
3. Your title (optional): ☐ Mr. ☐ Miss, Ms., or Mrs.
4. Your State of legal residence: State
5. Your social security number
6. Your date of birth: Month Day Year
7. Are you a U.S. citizen?
   - ☐ Yes, I am a U.S. citizen.
   - ☐ No, but I am an eligible noncitizen. (See the instructions on page 2.) [A]
   - ☐ No, neither of the above. (See the instructions on page 2.)
8. As of **today**, are you married? (Check only one box.)
   - ☐ I am not married. (I am single, divorced, or widowed.)
   - ☐ I am married.
   - ☐ I am separated from my spouse.
9. What year will you be in college in 1991-92? (Check only one box.)
   - ☐ 1st (I never previously attended college)
   - ☐ 1st (I previously attended college)
   - ☐ 2nd ☐ 3rd ☐ 4th
   - ☐ 5th or more undergraduate
   - ☐ first year graduate/professional (beyond a bachelor's degree)
   - ☐ Continuing graduate or professional
10. Will you have your first Bachelor's degree before July 1, 1991?
    ☐ Yes ☐ No

Section B: Student Status

		Yes	No
11.	**a.** Were you born **before** January 1, 1968?	☐	☐
	b. Are you a veteran of the U.S. Armed Forces?	☐	☐
	c. Are you a ward of the court or are both your parents dead?	☐	☐
	d. Do you have legal dependents (*other than a spouse*) that fit the definition in the instructions on page 3?	☐	☐

If you answered "**Yes**" to **any** part of question 11, go to Section C and fill out the **GRAY** and the **WHITE** areas on the rest of the form. (Skip questions 12 through 15.)

If you answered "**No**" to **every** part of question 11 **and** you are

- Unmarried now (single, divorced, separated, or widowed) **and** will be an undergraduate student in 1991-92, answer question 12. (Skip question 15.)
- Married now **or** will be a graduate/professional student in 1991-92, answer question 15. (Skip questions 12 through 14e.)

Unmarried Undergraduate Students Only

12. Did your parents claim you as an income tax exemption?

	Yes	No
... in 1989?	☐	☐
... in 1990?	☐	☐

If you answered "**Yes**" to **either** year in question 12, go to Section C and fill out the **GOLD** and the **WHITE** areas on the rest of the form. (Skip questions 13 through 15.)

If you answered "**No**" to **both** years in question 12, answer question 13 below.

13. **Beginning with the 1987-88 school year**, you **first** received Federal student aid. (Check only one box: a, b, c, d, or e. See instructions on page 3.)

a. ☐ in the 1987-88 school year. (Answer **14a below**. Skip 14b, 14c, 14d, and 14e.)

14a. Did you have total resources of $4,000 or more, not including parents' support?

	Yes	No
... in 1985?	☐	☐
... in 1986?	☐	☐

b. ☐ in the 1988-89 school year. (Answer **14b below**. Skip 14a, 14c, 14d, and 14e.)

14b. Did you have total resources of $4,000 or more, not including parents' support?

	Yes	No
... in 1986?	☐	☐
... in 1987?	☐	☐

c. ☐ in the 1989-90 school year. (Answer **14c below**. Skip 14a, 14b, 14d, and 14e.)

14c. Did you have total resources of $4,000 or more, not including parents' support?

	Yes	No
... in 1987?	☐	☐
... in 1988?	☐	☐

d. ☐ in the 1990-91 school year. (Answer **14d below**. Skip 14a, 14b, 14c, and 14e.)

14d. Did you have total resources of $4,000 or more, not including parents' support?

	Yes	No
... in 1988?	☐	☐
... in 1989?	☐	☐

e. ☐ in neither a, b, c, or d. (Answer **14e below**. Skip 14a, 14b, 14c, and 14d.)

14e. Did you have total resources of $4,000 or more, not including parents' support?

	Yes	No
... in 1989?	☐	☐
... in 1990?	☐	☐

- If you answered "**No**" to **either** year in question 14a, 14b, 14c, 14d, **or** 14e, go to Section C and fill out the **GOLD** and the **WHITE** areas on the rest of the form.
- If you answered "**Yes**" to **both** years in question 14a, 14b, 14c, 14d, **or** 14e, go to Section C and fill out the **GRAY** and the **WHITE** areas on the rest of the form.

Married or Graduate/Professional Students Only

15. Will your parents claim you as an income tax exemption in 1991? ☐ Yes ☐ No

If you answered "**Yes**" to question 15, go to Section C and fill out the **GOLD** and the **WHITE** areas on the rest of the form.

If you answered "**No**" to question 15, go to Section C and fill out the **GRAY** and the **WHITE** areas on the rest of the form.

SUPPLEMENTAL INFORMATION

Section F: 1990 expenses

33. 1990 medical and dental expenses not paid by insurance

34. 1990 elementary, junior high, and high school tuition for dependent children

34a. Amount paid. (Don't include tuition paid for the applicant.)

34b. For how many dependent children

STUDENT (& SPOUSE)

33. $_____.00

34a. $_____.00

34b.

Section G: Asset information

If you are completing this page, you must fill out the student (& spouse) column below.

STUDENT (& SPOUSE)

35. Is either of your parents a displaced homemaker? (See the instructions on page 7.)

35. Are you, or is your spouse, a displaced homemaker? (See the instructions on page 8.) Yes No

36. What is the age of your older parent

36. xxxxxxxxxx

	What is it worth today?	What is owed on it?
37. Cash, savings, and checking accounts	37. $ .00	xxxxxxxxxx
38. Home. (Number of rooms, not including bathrooms)	38. $ .00	$ .00
39. Other real estate and investments	39. $ .00	$ .00
40. Business and farm	40. $ .00	$ .00
41. Does any part of item 40 include a farm?	41. Yes No	Yes No

Section H: Your veterans educational benefits per month *(for the student only)*

(If you are completing this page, you must answer question 42. If you are filling out the GRAY and the WHITE areas, you must also answer question 43.)

		Expected Amount July 1, 1991 through June 30, 1992
42. Your veterans, Dependents Educational Assistance Program benefits	42a. Amount per month	$ .00 a month
	42b. Number of months	months
43. Your Veterans Compensation Benefits (VA-DIC)	43a. Amount per month	$_____.00 a month
	43b. Number of months	months

Section I: Expected 1991 taxable and nontaxable income and benefits

You must see the instructions for income and taxes that you should exclude from questions 45 through 49.)

If you are completing this page, you must fill out the student (& spouse) column below.

STUDENT (& SPOUSE)

44. Is either of your parents certified as a displaced worker by the appropriate agency? (See the instructions on page 8.)

44. Are you, or is your spouse, certified as a displaced worker by the appropriate agency? (See the instructions on page 8.) Yes No

45. 1991 income earned from work: Father	45. $ .00	
46. 1991 income earned from work: Mother	46. $ .00	
47. 1991 other taxable income	47. $ .00	
48. 1991 U.S. income tax to be paid	48. $ .00	
49. 1991 nontaxable income and benefits (See instructions on page 9.)	49. $ .00	

STOP You have finished the application. Recheck your application. **MAKE SURE THAT YOU HAVE COMPLETED SECTION E.** **Mail the application to:** Federal Student Aid Programs, P.O. Box 6500, Princeton, NJ 08541

Section C: Household Information

PARENTS

16. What is your parents' current marital status?

1 ☐ single
2 ☐ married
3 ☐ separated
4 ☐ divorced
5 ☐ widowed

17. What is your parents' State of legal residence?

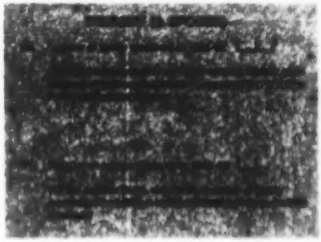
☐☐
State

18. Number of family members in 1991 Q2 ☐☐

(Always include yourself (the student) and your parents. Include your parents' other children and other people only if they meet the definition in the instructions on page 4.)

19. Number of college students in 1991 Q2 ☐

(Of the number in 18, write in the number of family members who will be in college at least half time. Include yourself--the applicant.)



Section D: 1990 income, earnings, and benefits

*(You **must** see the instructions for income and taxes that you should exclude from questions 24 through 28.)*

22. The following 1990 U.S. income tax figures are from:

	PARENTS (Check only one box.)		STUDENT (& SPOUSE) (Check only one box.)	
1	☐ a completed 1990 IRS Form 1040EZ or 1040A	(Go to 23.)	☐ a completed 1990 IRS Form 1040EZ or 1040A	(Go to 23.)
2	☐ a completed 1990 IRS Form 1040	(Go to 23.)	☐ a completed 1990 IRS Form 1040	(Go to 23.)
3	☐ an estimated 1990 IRS Form 1040EZ or 1040A	(Go to 23.)	☐ an estimated 1990 IRS Form 1040EZ or 1040A	(Go to 23.)
4	☐ an estimated 1990 IRS Form 1040	(Go to 23.)	☐ an estimated 1990 IRS Form 1040	(Go to 23.)
5	☐ a tax return will not be filed	(Skip to 26.)	☐ a tax return will not be filed	(Skip to 26.)

Everyone must fill out the Student (& Spouse) column below.

TAX FILERS ONLY	PARENTS	STUDENT (& SPOUSE)
23. 1990 total number of exemptions (Form 1040 line 6e, or 1040A line 6e, 1040EZ filers, see instructions on page 5)	☐☐	☐☐
24. 1990 Adjusted Gross Income (AGI)--Form 1040 line 31, 1040A line 16, or 1040EZ line 3, or see instructions on pages 5 and 6	$ ____ 00	$ ____ 00
25. 1990 U.S. income tax paid (Form 1040 line 47, 1040A line 25, or 1040EZ line 7)	$ ____ 00	$ ____ 00
26. 1990 income earned from work Father / Student	$ ____ 00	$ ____ 00
27. 1990 income earned from work Mother / Spouse	$ ____ 00	$ ____ 00
28. 1990 untaxed income and benefits (*yearly totals only*)		
28a. Social security benefits	$ ____ 00	$ ____ 00
28b. Aid to Families with Dependent Children (AFDC or ADC)	$ ____ 00	$ ____ 00
28c. Child support received for all children	$ ____ 00	$ ____ 00
28d. Other untaxed income and benefits from worksheet #2 on page 11	$ ____ 00	$ ____ 00

Section E: College Release and Certification

29. What college(s) do you plan to go to in 1991-92?

	College Name	Street Address	City	State
29a.				
29b.				
29c.				

30. Do you give the U.S. Department of Education permission to send information from this form to:

30a. The financial aid agencies in your State?
- ☐ Yes
- ☐ No

30b. The college(s) you named in 29 (or its representative)?
- ☐ Yes
- ☐ No

31. ☐ Check this box if you give Selective Service permission to register you. (See instructions on page 8.)

Dept. of Ed Use Only
(Do not write in this box.)

32. Read and sign

Certification: All of the information on this form and the Supplemental Information page, if completed, is true and complete to the best of my knowledge. If asked by an authorized official, I agree to give proof of the information that I have given on this form and the Supplemental Information page, if completed. I realize that this proof may include a copy of my U.S., State, or local income tax return. I also realize that if I do not give proof when asked, the student may be denied aid.

Everyone giving information on this form must sign below. If you don't sign this form, it will be returned unprocessed.

1 Student

2 Student's spouse

3 Father

4 Mother

Date completed: Month ___ Day ___ Year ☐ 1991 ☐ 1992

ATTENTION

If you are filling out the GOLD and WHITE areas, you will need to refer to Section D to complete worksheet #3A below. The worksheet will tell you whether you must fill out the Supplemental Information (Sections F through I).

WORKSHEET #3A FOR THE SIMPLIFIED NEEDS TEST

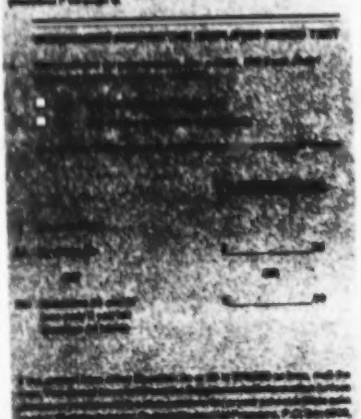
1. Did or will you, your spouse, **or** your parents file a 1990 IRS Form 1040? (Does not include 1040A or 1040EZ.)
   - ☐ Yes. (Fill out Sections F through I.)
   - ☐ No. (Fill out the rest of this worksheet.)

   Check "Yes" if a foreign or Puerto Rican tax return was or will be filed.

		PARENTS COLUMN A	STUDENT SPOUSE COLUMN B
	Income from:		
2a.	Question 24	$ ____ .00	$ ____ .00
	OR		
2b.	Questions 26 and 27 (use **only** if you left Question 24 blank)	$ ____ .00	$ ____ .00
3.	Write in the total of column A and column B entries from Question 2.	$ ____ .00	

If the total from 3 is **$15,000 or less**, mail the form. **You do not have to fill out the Supplemental Information** (unless you, your spouse or at least one of your parents is a dislocated worker or your school or State asks you to). **Mail the form to:** Federal Student Aid Programs, P.O. Box 6800, Princeton, NJ 08541

If the total from 3 is **$15,001 or more**, you **must** fill out Sections F through I.



sign this form. If you filled out the [redacted] and the **WHITE** areas, at least one of your parents must also sign this form. **Everyone signing this form is certifying that all information on the form is correct** and that they are willing to provide documents to prove that the information is correct. Such documents may include U.S., State, or local tax returns. Any AFSA dated or received before January 1, 1991 will be returned unprocessed.

Sending In Your Form

Double-check your form to make sure it is complete and accurate. Be sure it has the necessary signatures.

Put the form in the envelope provided in this booklet. Don't send money. Don't put letters, tax forms, worksheets, or any extra materials in the envelope. **They will be destroyed.**

Instructions for the Supplemental Information

Section F: Your parents' 1990 expenses

Don't leave any of these questions blank. If a question doesn't apply to you, write in "0."

33. **Medical and dental expenses in 1990 not paid by insurance.** Write in the amount of money that your parents **paid** in 1990 for medical and dental expenses (include insurance premiums). Don't include amounts covered by insurance or self-employed health deductions from Form 1040-line 26. If your parents itemized deductions on their 1990 U.S. income tax return, **write** in the amount from Form 1040, Schedule A, line 1.

34. **Elementary, junior high, and high school tuition paid in 1990.**

34a. Write in the amount of money that your parents **paid** in 1990 for elementary, junior high, and high school tuition for family members who were included in question 18. (Tuition doesn't include room, board, books, transportation, etc.) **Don't include** tuition paid by scholarships. Also, don't include tuition that your parents paid for you or any tuition for preschool or college.

34b. Write in the number of dependent children for whom the amount listed in 34a was paid in 1990. **Don't include** yourself (the student) or any person who was not included in question 18.

Section F: Your (& your spouse's) 1990 expenses

Don't leave any of these questions blank. If a question doesn't apply to you, write in "0."

33. **Medical and dental expenses in 1990 not paid by insurance.** Write in the amount of money that you (and your spouse) **paid** in 1990 for medical and dental expenses (include insurance premiums). Don't include amounts covered by insurance or self-employed health deductions from Form 1040-line 26. If you (and your spouse) itemized deductions on your 1990 U.S. income tax return, **write** in the amount from Form 1040, Schedule A, line 1.

34. **Elementary, junior high, and high school tuition paid in 1990.**

34a. Write in the amount of money that you (and your spouse) **paid** in 1990 for elementary, junior high, and high school tuition for family members who were included in question 20. (Tuition doesn't include room, board, books, transportation, etc.) **Don't include** tuition that you paid for yourself, tuition paid by scholarships, or any tuition paid for preschool or college.

34b. Write in the number of dependent children for whom the amount listed in 34a was paid in 1990. **Don't include** yourself or any person who was not included in question 20.

Section G: Your parents' assets

Don't leave any of these questions blank. If a question doesn't apply to you, write in "0."

You must give information about your parents' assets in Section G. If you are giving information for only one parent and that parent has jointly owned assets, give only that parent's portion of the assets and debts. If your parents have assets owned jointly with someone else, give only your parents' portion of the assets and debts.

In Section G, **don't include:**

- Personal or consumer loans, or any debts that are not related to the assets listed
- The value of retirement plans (pension funds, annuities, IRAs, Keogh Plans, etc.)
- Student financial aid

35. Check "Yes" if either of your parents (for whom you are providing information) meets **all** of the following descriptions for a displaced homemaker:

- your parent has not worked full-time in the labor force for a substantial number of years (e.g., approximately five years or more) but has, during those years, worked in the home providing unpaid services for family members; **and**
- your parent has been dependent on public assistance or on the income of another family member but is no longer receiving that income, or your parent is receiving public assistance because of dependent children in the home; **and**
- your parent is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.

"Unemployed" means not working this week but being available for work. To qualify, your parent must have made specific efforts to get a job sometime during the last four weeks.

"Underemployed" means working part-time even though your parent wants full-time employment. It refers to a condition where work is slack or only part-time work is available.

Check "No" if neither of your parents meets **all** the descriptions mentioned above.

36. Write in the **age** of the older parent for whom you gave information on this form.

38. **Home.** If your parents own a home, write in how much the home is worth. Use the price your parents could reasonably expect to receive for their home if it went on **sale today**. **Don't** use assessed, insured, or taxed value. A "home" includes a house, mobile home, condominium, etc. If your parents are renters, write in "0."

Then, write in how much your parents owe on the home, including the present mortgage and related debts on the home. *(Don't include interest due.)* Check with the mortgage company if you don't know.

39. **Other real estate and investments.** If your parents own other real estate *(including rental property, land, second or summer homes)* or have investments, write in how much they are worth **today**. Investments include trust funds, money market funds, mutual funds, certificates of deposit, stocks, bonds, other securities, installment and land sale contracts *(including mortgages held)*, commodities, precious and strategic metals, etc.

Then, write in how much your parents owe on other real estate and investments.

40. **Business and farm.** If your parents own a business and/or farm, write in how much the business and/or farm are worth **today**. Include the value of land, buildings, machinery, equipment, livestock, inventories, etc. Don't include the home. *(Home value and debt should be given in question 38.)*

Then, write in what your parents owe on the business and/or farm. Include only the present mortgage and related debts for which the business and/or farm were used as collateral.

If your parents are not the sole owners, write in only their share of the total value and debt.

Section G: Your (& your spouse's) assets

Don't leave any of these questions blank. If a question doesn't apply to you, write in "0."

You must give information about your (and your spouse's) assets in Section G. If you are divorced or separated and you and your spouse have jointly owned assets, give only your portion of the assets and debts. If you (and your spouse) have assets owned jointly with someone else, give only your (and your spouse's) portion of the assets and debts. Be sure to give information about assets held in trust for you (and your spouse).

In Section G, **don't include:**

- Personal or consumer loans, or any debts that are not related to the assets listed
- The value of retirement plans (pension funds, annuities, IRAs, Keogh Plans, etc.)
- Student financial aid

35. Check "Yes" if you or your spouse meets **all** of the following descriptions for a displaced homemaker.

- you or your spouse has not worked full-time in the labor force for a substantial number of years (e.g., approximately five years or more) but has, during those years, worked in the home providing unpaid services for family members, **and**
- you or your spouse has been dependent on public assistance or on the income of another family member, but is no longer receiving that income, or you or your spouse is receiving public assistance because of dependent children in the home, **and**
- you or your spouse is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.

"Unemployed" means not working this **week** but being available for work. To qualify, you or your spouse must have made specific efforts to get a job sometime during the last four **weeks**.

"Underemployed" means working part-time even though you want or your spouse wants full-time employment. It refers to a condition where work is slack or only part-time work is available.

Check "No" if neither you nor your spouse meets **all** of the descriptions mentioned above.

38. **Home.** If you (and/or your spouse) own a home, write in how much the home is worth. Use the price you could reasonably expect to receive for the home if it went on **sale today**. **Don't** use assessed, insured, or taxed value. A "home" includes a house, mobile home, condominium, etc. Renters, write in "0."

Then, write in how much you (and/or your spouse) owe on the home, including the present mortgage and related debts on the home. *(Don't include interest due.)* Check with the mortgage company if you don't know.

39. **Other real estate and investments.** If you (and/or your spouse) own other real estate *(including rental property, land, second or summer homes)* or have investments, write in how much they are worth **today**. Investments include trust funds, money market funds, mutual funds, certificates of deposit, stocks, bonds, other securities, installment and land sale contracts *(including mortgages held)*, commodities, precious and strategic metals, etc.

Then, write in how much you (and/or your spouse) owe on other real estate and investments.

40. **Business and farm.** If you (and/or your spouse) own a business and/or farm, write in how much they are worth **today**. Include the value of land, buildings, machinery, equipment, livestock, inventories, etc. Don't include the home. *(Home value and debt should be given in question 38.)*

Then, write in what you (and/or your spouse) owe on the business and/or farm. Include only the present mortgage and related debts for which the business and/or farm were used as collateral.

If you (and your spouse) are not the sole owners, write in only your (and your spouse's) share of the total value and debt.

Section H: Your 1991-92 veterans educational benefits per month *(for the student only)*

42. Your **veterans Dependents Educational Assistance Program benefits.**

43a. Write in the amount of veterans Dependents Educational Assistance Program (Chapter 35) benefits that you expect to get per month **from July 1, 1991 through June 30, 1992.** Don't **include** Death Pension, or Dependency & Indemnity Compensation (DIC).

43b. Write in the number of months **from July 1, 1991 through June 30, 1992** that you expect to get those benefits.

43. Your **Veterans Contributory Benefits (VEAP).**

43a. Write in the amount of Veterans Contributory Benefits (Chapter 32) that you expect to get per month **from July 1, 1991 through June 30, 1992.** *(Include both the Government and student portions.)* **Don't include** Death Pension, or Dependency & Indemnity Compensation (DIC).

43b. Write in the number of months **from July 1, 1991 through June 30, 1992** that you expect to get those benefits.

Section I: Your parents' expected 1991 taxable and nontaxable income and benefits

How to figure expected amounts

This section asks about income and benefits that your parents expect to get. If your parent is divorced, separated, or widowed, don't include information about the other parent. Answer these questions as accurately as you can. If a question doesn't apply, or your parents don't expect to get any income or benefits from that source, write in "0."

44. Check "Yes" if either of your parents (for whom you are providing information) is currently certified as a **"Dislocated Worker"** (see page 10) by the appropriate State agency.

If you checked "Yes," you may be asked to document your parent's status as a dislocated worker.

Check "No" if neither of your parents is certified as a dislocated worker. Skip to question 44 in the Student (& Spouse) column.

Important: See the table on page 5 for the kinds of income and taxes to leave out of Section I.

45. and **46. 1991 income earned from work.** Include wages, salaries, and tips. See **Important** note above.

47. **1991 other taxable income.** Write in the total amount of other taxable income that your parents will report on their 1991 IRS Form 1040, 1040A, or 1040EZ. Include interest and dividend income and any other taxable income. **Don't** include any unemployment compensation or any income that you reported in questions 45 and 46.

48. **1991 U.S. income tax to be paid.** Write in the amount of income taxes that your parents expect to pay in 1991. Make sure this amount doesn't include any FICA, self-employment, or other taxes.

49. **1991 nontaxable income and benefits.** These are the same types of income and benefits that were asked for in questions 25a, 25b, 25c, and 25d.

Section I: Your (& your spouse's) expected 1991 taxable and nontaxable income and benefits

How to figure expected amounts

This section asks about income and benefits that you (and your spouse) expect to get. If you are divorced, separated, or widowed, don't include information about your spouse. Answer these questions as accurately as you can. If a question doesn't apply to you, or if you don't expect to get any income or benefits from that source, write in "0."

44. Check "Yes" if you or your spouse is currently certified as a **"Dislocated Worker"** (see page 10) by the appropriate State agency.

If you checked "Yes," you may be asked to document your status (or that of your spouse) as a dislocated worker.

Check "No" if neither you nor your spouse is certified as a dislocated worker. Skip the rest of this section.

Important: See the table on page 6 for the kinds of income and taxes to leave out of Section I.

45. and **46. 1991 income earned from work.** Include wages, salaries, and tips. See **Important** note above.

47. **1991 other taxable income.** Write in the total amount of other taxable income that you (and your spouse) will report on your 1991 IRS Form 1040, 1040A, or 1040EZ. Include interest and dividend income and any other taxable income. **Don't** include any unemployment compensation or any income that you reported in questions 45 and 46.

48. **1991 U.S. income tax to be paid.** Write in the amount of income taxes that you and your spouse expect to pay in 1991. Make sure this amount doesn't include any FICA, self-employment, or other taxes.

49. **1991 nontaxable income and benefits.** These are the same types of income and benefits that were asked for in questions 25a, 25b, 25c, and 25d.

Sending In Your Form

Double-check your form to make sure it is complete and accurate. Be sure it has the necessary signatures.

Put the form in the envelope provided in this booklet. Don't send money. Don't put letters, tax forms, worksheets, or any extra materials in the envelope. **They will be destroyed.**

Special Instructions Definitions

Dislocated Worker - To be considered a dislocated worker, you must be currently certified as one by a State agency such as your local Employment Service or Job Service. This certification is done in accordance with Title III of the Job Training Partnership Act. A dislocated worker generally means a person who:

- has been terminated or laid-off or has received a notice of termination or lay-off,
- has been terminated or received a notice of termination as a result of permanent closure of a plant or other facility, or
- was self-employed (including farmers) but is now unemployed because of poor economic conditions in the community or a natural disaster.

Foreign Tax Return - If you and your spouse, or your parents, won't be filing a U.S. income tax return in 1990 (for example, Puerto Rican tax filers), follow the instructions below:

- In question 22, check the box "completed 1990 IRS Form 1040" (if a foreign tax return has been filed), or "estimated 1990 IRS Form 1040" (if a foreign tax return will be filed).
- use the information from that tax return to fill out this form,
- convert all figures to U.S. dollars, using the exchange rate that is in effect **today**, and
- fill out the Supplemental Information (Sections F- I.)

Legal Guardian - A legal guardian is a person who acourt has:

- appointed to be your legal guardian and this legal relationship will continue after June 30, 1992, and
- directed to support you with his or her own financial resources.

Native American - If you are a Native American, reportthe amount of income and assets over $2,000 per individual payment that you and your spouse or your parents received in 1990 from the Per Capita Act or the Distribution of Judgment Funds Act. If $2,000 or less per individual payment was received from either othese Acts, don't report it. Don't report funds received as an award under the Alaska Native Claims Settlement Act or the Maine Indian Claims Settlement Act. Also, don't report any assets received from the Alaska Native Claims Settlement Act.

Additional Information On The Federal Student Financial Aid Programs

How Long Does It Take To Complete This Application?

It takes approximately 40 minutes to one hour and 3(minutes to complete this application. This includes the time for reviewing the instructions and form, gathering and maintaining the necessary information and completing the form.

Send your comments regarding the time it takes to omplete this form or any other aspects of the application including suggestions for reducing this burden to: U.S. Department of Educatin, Information Management and Compliance Division, Washington, D.C. 20202-4651; or to the Office of Management and Buget, Paperwork Reduction Project: 1840-0110, Washington, D.I. 20503.

Do All Schools Take Part In The Federal Student Financial Aid Programs?

No. More than 8,600 schools do take part in one or more of them. Contact your school's financial aid administrator to fid out which Federal programs your school participates in.

Where Can I Get More Information On Federal Student Financial Aid?

This booklet gives you only a brief summary of the student financial aid programs offered by the U.S. Department of Education. Each student financial aid program has its own special features and procedures. You can get more information from the booklet: **The Student Guide: Financial Aid from the U.S. Department of Education - Grants, Loans, and Work-Study 1991-92.** To get a free copy, write to:

Federal Student Aid Information Center
P.O. Box 84
Washington, D.C. 20044

What Happens After I Mail In My Form?

Within four to six weeks after you mail in your form, the U.S. Department of Education will send you a **Student Aid Report** (SAR). On the SAR will be either a request for further information or numbers called a **Pell Grant Index** (PGI) and a **Family Contribution** (FC). We use formulas established by law to figure these numbers from the information you give us. Your school or the U.S. Department of Education may ask you to prove that the information you give on your application is true.

What is My Pell Grant Index (PGI)?

The PGI is a number that tells whether you may be able to get a Pell Grant. If you are eligible for a Pell Grant, your school will use this number to determine the amount of your award. Even if you don't qualify for a Pell Grant, you may still qualify for one or more of the other Federal programs. Be sure to ask your financial aid administrator if your school needs any additional information from you for these other programs.

What is My Family Contribution (FC)?

The FC is a number that helps your financial aid administrator determine if you are able to get one of the several available forms of assistance. These include Stafford Loan, SEOG, CWS, and Perkins Loan. Your school will use this number to determine the amount of your grant, loan or work-study award.

What Happens If I Don't Get A SAR Or I Need Another Copy Of My SAR?

If you don't get a SAR within four to six weeks, or you need another copy of your SAR, write to:

Federal Student Aid Programs
P.O. Box 6904
Princeton, NJ 08541

Give your name, address, social security number, and date of birth. Be sure to ask for another copy of your **1991-92 SAR**. If your address has changed since you sent in your application, be sure to give us both your old and your new address. Be sure to sign your letter.

What If My Situation Changes?

- Questions 11, 15, 18, 19, 20, and 21 ask you to make projections for the upcoming year. If your answers to these questions change, **wait** until you receive your SAR and then see your financial aid administrator.
- The income and expenses information that you give must be accurate. They must match what is or will be on your 1990 income tax forms. If your financial situation has recently changed, contact your financial aid administrator.

Worksheet #1

		For question 24 Parents		For question 24 Student/Spouse
Wages, salaries, tips, etc.		$ .00		$ .00
[illegible]		+ .00		+ .00
Dividends		+ .00		+ .00
Other taxable income (alimony received, business and farm income, capital gains, pensions, annuities, rents, unemployment compensation, social security, Railroad Retirement, and all other taxable income— see the tables on pages 5 and 6 and the instructions for question 24)		+ .00		+ .00
Add all of the numbers in the column		= .00		= .00
Subtract IRS-allowable adjustments to income (payments to IRA and Keogh Plans, interest penalty on early withdrawal of savings, and alimony paid)		- .00		- .00
TOTAL - This is your answer for question:	#24	$ .00	#24	$ .00

Worksheet #2

		For question 28d Parents		For question 28d Student/Spouse
Amounts from IRS tax forms				
Deductible IRA and/or Keogh payments from Form 1040-total of lines 24a, 24b, and 27 or 1040A line 15c		$ .00		$ .00
Earned income credit from Form 1040-line 57 or 1040A-line 29c		+ .00		+ .00
Untaxed portions of pensions from Form 1040-line 16a minus 16b and 17a minus 17b or 1040A line 10a minus 10b and 11a minus 11b (excluding "rollovers")		+ .00		+ .00
Credit for Federal tax on special fuels from Form 1040-line 60		+ .00		+ .00
Foreign income exclusion from Form 2555-line 39		+ .00		+ .00
Tax exempt interest income from Form 1040-line 8b or 1040A line 8b		+ .00		+ .00
Other Untaxed Income and Benefits				
Payments to tax-deferred pension and savings plans (paid directly or withheld from earnings). Include untaxed portions of 401(k) and 403(b) plans.		+ .00		+ .00
Welfare benefits (except AFDC or ADC, which you should have reported in question 28b)		+ .00		+ .00
Workers' Compensation		+ .00		+ .00
Veterans' noneducational benefits such as Death Pension, Dependency & Indemnity Compensation (DIC), etc.		+ .00		+ .00
Housing, food, and other living allowances (excluding rent subsidies for low-income housing) paid to members of the military, clergy, and others (including cash payments and cash value of benefits)		+ .00		+ .00
Cash support or any money paid on your behalf, including support from a non-custodial parent		XXXXXXXXX		+ .00
Any other untaxed income and benefits, such as Black Lung Benefits, Refugee Assistance, untaxed portions of Railroad Retirement Benefits, or Job Training Partnership Act noneducational benefits		+ .00		+ .00
TOTAL - This is your answer for question:	#28d	$ .00	#28d	$ .00

Don't include:

- Social security
- Any income reported elsewhere on the form
- Money from student financial aid
- Food stamps
- Gifts and support, other than money, received from friends or relatives
- Veterans educational benefits (GI Bill, Dependents Educational Assistance Program, VA Vocational Rehabilitation Program, VA Contributory Benefits, etc.)
- "Rollover" pensions

We urge you to keep these worksheets. Don't send them in with your application form. You may be asked to refer to them later to verify the information on your application. (It may also help you to show that your SAR is accurate.)

INFORMATION ON THE PRIVACY ACT AND USE OF YOUR SOCIAL SECURITY NUMBER

The Privacy Act of 1974 requires that each Federal agency that asks for your social security number or other information must tell you the following:

1. Its legal right to ask for the information and whether the law says you must give it.

2. What purpose the agency has in asking for it and how it will be used.

3. What could happen if you do not give it.

You must give your social security number (SSN) to apply for Federal student financial aid. The U.S. Department of Education's legal right under the Title IV programs to require that you provide us with your social security number is based on Sections 484(a)(4) of the Higher Education Act of 1965, as amended. The SSN is used under the Pell Grant, Supplemental Educational Opportunity Grant, and College Work-Study programs in recording information about your college attendance and progress, and in making sure that you have received your money. The SSN is also used under the Stafford Loan and Perkins Loan programs to identify the applicant to determine program eligibility and benefits and to permit servicing and collecting of the loans.

If you are applying for Federal student aid only, you must fill out everything except questions 29, 30, and 31. If you skip question 30 we will count your answer as "No" for both parts of that question. If you are applying for a Pell Grant only, you can skip question 5, 36 and 43.

The authority to request all other information (except the SSN) is based on sections 411A, 411B, 411C, 411D, 411F, 474, 475, 476, 477, 479, and 480 of the Higher Education Act of 1965, as amended. This information is used to determine the amount of Federal student aid for which you may be qualified.

The information which you supplied may be disclosed to third parties that the Department has authorized to assist in administering Federal student aid programs. This disclosure may include private firms that the Department contracts with for the purpose of collating, analyzing, totalling or refining records in the system and who are required to maintain safeguards under the Privacy Act. This may also be accomplished through computer matching programs such as the ones currently conducted with the Selective Service System and the Immigration and Naturalization Service.

We will provide your name, address, social security number, date of birth, student aid indices, student status, year in college, and State of legal residence to the college(s) that you list in question 29a, 29b, and 29c (or its representative), even if you check "No" in question 30b. This information will also go to the State agencies in your State of legal residence to help coordinate State financial aid programs with Federal student aid programs. We will provide calculations and determination of eligibility to the agency with which you filed a student aid application, or another similar agency, if you request us to do so. That agency may also release information received from the Department to colleges, State Scholarship agencies, and loan guarantee agencies that you have designated to receive information. Also, we may send information to members of Congress if you ask them to help you with Federal student aid questions. If your parents or your spouse provided information on the form they may also request to see all the information on the application.

If the Federal government, the Department, or an employee of the Department is involved in litigation, we may send information to the Department of Justice, or a court or adjudicative body, if the disclosure is related to financial aid and certain other conditions are met. The information may also be made available to Federal agencies which have the authority to subpoena other Federal agencies' records. In addition, we may send your information to a foreign, Federal, State, or local enforcement agency if the information that you submitted indicates a violation or potential violation of law, for which that agency has jurisdiction for investigation or prosecution. Finally, we may send information regarding a claim which is determined to be valid and overdue to a consumer reporting agency. This information includes identifiers from the record, the amount, status and history of the claim and the program under which the claims arose.

Remember, we must receive your application by May 1, 1992.

Application for Federal Student Aid

(Be sure to read the instructions first)

CSS Discussion Draft 4/25/91

APPENDIX III:

Section A: Student Information

1. Your name: Last / First / M.I.
2. Your permanent mailing address: *(Mail will be sent to this address. See Page x for state abbreviation.)* Number, street, and apartment number / City / State / Zip Code
3. Your social security number:
4. Your date of birth:
5. Are you a U.S. citizen?
   - ☐ Yes, I am a U.S. citizen.
   - ☐ No, but I am an eligible noncitizen. *(See instructions on Page x.)* [A]
   - ☐ No, neither of the above. *(See instructions on Page x.)*
6. In the 1992-93 school year, check your year in college:
   - ☐ 1st *(never previously attended college)*
   - ☐ Continuing undergraduate
   - ☐ Graduate/professional
7. Current marital status:
   - ☐ unmarried (single, divorced, or widowed)
   - ☐ married
   - ☐ separated
8. Will you have your first Bachelor's degree before July 1, 1992?
   - ☐ Yes ☐ No
9a. Will you be eligible to receive veterans education benefits in 1992-93?
   - ☐ Yes ☐ No
   - b. *If "Yes,"* how much will you receive per month? $_____
   - c. For how many months?

Section B: Eligibility Factors

10. Complete the following five questions about you, the student.
    - a. Will you be 24 years or older as of 7/1/92? ☐ Yes ☐ No
    - b. Will you be a graduate/professional student when you first attend college during the 1992-93 school year? ☐ Yes ☐ No
    - c. Will you be supporting a legal dependent (other than a spouse) during the 1992-93 school year? ☐ Yes ☐ No
    - d. Are you a ward of the court or an orphan? ☐ Yes ☐ No
    - e. Are you a veteran of the U.S. Armed Forces? ☐ Yes ☐ No

If you answered "YES" TO ONE OR MORE of Questions 10a, 10b, 10c, 10d, or 10e, complete the Student (and Spouse) columns on the rest of the form. Some colleges may ask you to complete both the student and parent columns.
Student (and spouse) begin with Question 12.

If you answered "NO" TO ALL of Questions 10a, 10b, 10c, 10d, and 10e, then you (the student) and your parent(s) must complete *both* the Student (and Spouse) column *and* the Parents column. [If your natural parents are not now living together, please read the definition of "parent" (Page 1) before completing the rest of this form.]
Parents begin with Question 11.
Student (and spouse) go to Question 14. ☞

Section C: 1991 Family Status Information

Student (and Spouse)

Students who answered "Yes" to ANY portion of Question 10 begin here with Question 12.

Students who answered "No" to ALL portions of Question 10 go to Question 14. ☞

12. Number of family members in 1992-93: [ ]
13. Number of family members in college at least half-time in 1992-93: [ ]

Parents

11. Current marital status:
    - ☐ single ☐ divorced
    - ☐ married ☐ widowed
    - ☐ separated
12. Number of family members in 1992-93: [ ]
13. Number of family members (excluding parents) in college at least half-time in 1992-93: [ ]

Section D: 1991 Income, Earnings, and Benefits

(You must see the instructions for income and taxes that you should exclude.)

Student (and Spouse)

14. Are you currently receiving welfare, AFDC, or public assistance benefits? (Do not include food stamps or SSI.)

☐ Yes ☐ No

If "Yes" in either Student or Parents column, GO DIRECTLY TO SECTION G: "College Release and Certification." **G**

If "No," CONTINUE WITH QUESTION 15.

15. The following 1991 U.S. income tax figures are from: *(check only one box)*

a. a completed 1991 IRS Form 1040EZ or 1040A ☐

b. a completed 1991 IRS Form 1040 ☐

c. an estimated 1991 IRS Form 1040EZ or 1040A ☐

d. an estimated 1991 IRS Form 1040 ☐

e. a tax return will not be filed ☐

GO TO QUESTION 17.

TAX FILERS ONLY

17. 1991 total number of exemptions from IRS Form 1040 - line 6e; 1040A - line 6e; or 1040EZ; *(see instructions):* ☐☐

18. 1991 Adjusted Gross Income from IRS Form 1040 - line 31; 1040A - line 16; or 1040EZ - line 3; *(see instructions):*

$ _____

19. 1991 U.S. Income Tax paid from IRS Form 1040 - line 47; 1040A - line 25; or 1040EZ - line 7:

$ _____

Parents

14. Are you currently receiving welfare, AFDC, or public assistance benefits? (Do not include food stamps or SSI.)

☐ Yes ☐ No

If "Yes", GO DIRECTLY TO SECTION G: "College Release and Certification." **G**

If "No," CONTINUE WITH QUESTION 15.

15. The following 1991 U.S. income tax figures are from: *(check only one box)*

a. a completed 1991 IRS Form 1040EZ or 1040A ☐

b. a completed 1991 IRS Form 1040 ☐

c. an estimated 1991 IRS Form 1040EZ or 1040A ☐

d. an estimated 1991 IRS Form 1040 ☐

e. a tax return will not be filed ☐

If you answered "b." or "d." above, GO TO QUESTION 17 and complete the remainder of the form.

If you answered "a.," "c.," or "e." above, CONTINUE WITH QUESTION 16.

16. 1991 Adjusted Gross Income from IRS Form 1040A - line 16; 1040EZ - line 3; or, if you did not and will not complete a U.S. tax return, see instructions:

$ _____

If your answer is less than $20,264, GO DIRECTLY TO SECTION G: "College Release and Certification." **G**

If your answer is $20,264 or more, CONTINUE WITH QUESTION 17 and complete the remainder of the form.

TAX FILERS ONLY

17. 1991 total number of exemptions from IRS Form 1040 - line 6e; 1040A - line 6e; or 1040EZ; *(see instructions):* ☐☐

18. 1991 Adjusted Gross Income from IRS Form 1040 - line 31; 1040A - line 16; or 1040EZ - line 3; *(see instructions):*

$ _____

19. 1991 U.S. Income Tax paid from IRS Form 1040 - line 47; 1040A - line 25; or 1040EZ - line 7:

$ _____

Section D, cont'd

Student (and Spouse)		Parents	
20a. 1991 income earned from work by *Student*	$	20a. 1991 income earned from work by *Father*	$
b. 1991 income earned from work by *Spouse*	$	b. 1991 income earned from work by *Mother*	$
21. Did you receive untaxed social security in 1991?	☐ Yes ☐ No	21. Did you receive untaxed social security in 1991?	☐ Yes ☐ No
If "Yes," how much was received in 1991?	$	*If "Yes,"* how much was received in 1991?	$
22. Did you receive child support in 1991?	☐ Yes ☐ No	22. Did you receive child support in 1991?	☐ Yes ☐ No
If "Yes," how much was received in 1991?	$	*If "Yes,"* how much was received in 1991?	$
23. Did you receive any other untaxed income, wages, or benefits in 1991? *(See instructions.)*	☐ Yes ☐ No	23. Did you receive any other untaxed income, wages, or benefits in 1991? *(See instructions.)*	☐ Yes ☐ No
If "Yes," how much was received in 1991?	$	*If "Yes,"* how much was received in 1991?	$

Section E: Asset Information

Student (and Spouse)		Parents	
24. Total amount of cash, savings, and checking accounts:	$	24. Total amount of cash, savings, and checking accounts:	$
25. Home-what is it worth today?	$	25. Home-what is it worth today?	$
Home-what is owed on it today?	$	Home-what is owed on it today?	$
26. Business-what is it worth today?	$	26. Business-what is it worth today?	$
Business-what is owed on it today?	$	Business-what is owed on it today?	$
27. Farm-what is it worth today?	$	27. Farm-what is it worth today?	$
Farm-what is owed on it today?	$	Farm-what is owed on it today?	$
28. Other real estate and investments-what are they worth today?	$	28. Other real estate and investments-what are they worth today?	$
Other real estate and investments-what is owed on them today?	$	Other real estate and investments-what is owed on them today?	$
GO TO QUESTION 30.		29. Write the age of the older parent:	☐☐

Section F: Special Circumstances

If there are special circumstances such as a large loss of income or benefits, or a major change in family circumstances (death, divorce, disability, unusually high medical or dental expenses, substantial reduction in income, etc.) that are not reflected adequately in Sections D and E, please provide full details, in writing, to the financial aid administrator at each of the colleges to which you are applying.

30. Will you be providing information on special circumstances to your college(s)? ☐ Yes ☐ No

Section G: College Release and Certification

31. You may have the results of this form sent to three colleges in 1992-93. List the names of the colleges to which you want results sent:

Name of College	City and State

32. Do you give the U.S. Department of Education permission to send information from this form to:

-- the college(s) you named in Question 31. (or its representative)? ☐ Yes ☐ No

-- the financial aid agency in your state? ☐ Yes ☐ No

33. Mark this box if you give Selective Service permission to register you. *(See instructions.)* ☐

34. I certify that I will use any money I receive under the Title IV student financial aid programs only for expenses related to attendance at the college(s) I enroll at during the 1992-93 school year.

I also certify that I am not in default on any educational loan and that I do not owe a refund or a repayment on any education grant. I also certify that I have never been convicted of a drug felony.

All of the information on this form is true and correct to the best of my knowledge. If asked by an authorized official, I agree to give proof of the information that I have given on this form, and I agree that the IRS can provide the financial aid office at the school I am attending with federal tax return information. I realize that if I don't give proof when asked, I may not get aid.

Student signature _____ **Date** _____ State of legal residence: ☐☐
(Required.)

All of the information on this form is true and correct to the best of my knowledge. If asked by an authorized official, I agree to give proof of the information that I have given on this form, and I agree that the IRS can provide the financial aid office at the school the student attends with federal tax return information. I realize that if I don't give proof when asked, the student may not get aid.

Spouse signature _____ **Date** _____
(Required, if married.)

Parent/Stepparent signature _____ **Date** _____ State of legal residence: ☐☐
(Required if parental information is included on this form.)

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Senator PELL. Thank you very much indeed.

What we have here—and we are very grateful to you—are three sample forms. I think Dr. Koplik's probably goes the furthest in simplification, Ms. Hart's next, and Ms. Waddell's perhaps the least. But what we must do is try to get the best elements of this, and I would hope that the staff of this committee and the Department of Education—I believe Mr. Farrell is the assistant secretary in charge of student assistance—and all of you and the commission which was set up to study this problem could get together and perhaps we could arrive at a form—it is more than a form because, as you point out, the legislation that requires the form has to be altered, too, and that is part of our responsibility in this reauthorization of the Higher Education Act. So we have a responsibility as well as you do.

Now, I was curious about whether we can all agree—can we have a single needs analysis system for all the Federal student aid programs—grants, loans and college work-study?

Mr. KOPLIK. I would certainly say yes.

Ms. HART. Yes.

Ms. WADDELL. Yes.

Senator PELL. And then can we have one Federal application for all student aid programs, Federal and non-Federal; would that be possible?

Dr. Koplik.

Mr. KOPLIK. I think when you get over into the area of non-Federal programs, the answer gets a little muddy. I would say that for all Federal aid, definitely without question, one form would work. And perhaps my answer would be supplemental information at an institution or State's discretion for those programs that are non-Federal, but at the core, one form.

Senator PELL. Ms. Hart.

Ms. HART. I would agree. In NASFAA's work on this issue, we felt that while one form was the technical ideal that we had to acknowledge that just seemed no longer realistic, and trying to pull all of the various needs into a single document seemed to us one of the reasons it is as complicated as it is.

It might be analogous to trying to pull together all the State tax returns in this country and the Federal tax forms into one document, and for similar reasons we think it is probably unrealistic to come up with a single form that accomplishes all those goals. But certainly and assuredly, a single form for Federal purposes we also believe could meet the needs of low-income students for all those non-Federal purposes, limiting then this additional element not just to institutions or States but to higher income families better equipped to deal with those questions. I can certainly say that on behalf of the State of Indiana, where the modifications proposed in this form would enable us as a State, because we serve a very, very low-income profile of families, to use that single Federal form.

Senator PELL. Thank you.

Ms. Waddell.

Ms. WADDELL. I agree with Ms. Hart. I'd like to add, however, that one of the things that becomes so frustrating in this balance that we are weighing is the assumption that simplifying the form will simplify the process. And in fact, as I stated in my comments,

it isn't the form that creates the complexity; it is the process. I recognize that the topic of this hearing is simplification, and one of the areas where I'd like to create a window of information for you is that I happen to work at an institution that administers 95 percent Federal aid, and we will not accept the free Federal form. The reason we won't accept it is because the additional services that come to the campus from the multiple data entry processors assist us in administering Federal funds and making sure we are good stewards of Federal funds.

What we find typically is that the lower the income of the family, they tend to inflate their income, and the higher the family income is, they tend to under-report their income. So one of the things I hope you will consider in the future is not so much just making the process simpler for the applicant, but ways in which you can streamline the process for those administering Federal dollars that will also ensure fair and equitable distribution of limited Federal funds.

Senator PELL. Senator Kassebaum.

Senator KASSEBAUM. First, pardon my parochial interest, but I'd like to say that Dr. Koplik has been a strong advocate for higher education in Kansas. We are delighted to have him there, and I am delighted to have him here today.

I'd just like to ask—do all the regents universities in Kansas use the free Federal form?

Mr. KOPLIK. No.

Senator KASSEBAUM. I believe my own alma mater does not. Why would this be so?

Mr. KOPLIK. I think the point was made a little earlier. It is a question of trying to encourage the student to cover all possible bases or opportunities, and in this case, more is better in the sense of give us more information, and we think that will give us more opportunity to address your needs rather than simply responding to a section of the form. So the MDE's, for example, furnish the institution with more information.

The interesting things, Senator, is it is a cautious approach which in most cases provides information that really isn't use, but it is just a safety net.

Senator KASSEBAUM. Well, this is what I was going to ask—and you mentioned this as a reason, too, Ms. Waddell, that you are doing it. Is this additional information really used, then, to assist the student, or does it just go into some memory bank somewhere?

Ms. HART. If I could respond, it is used, it absolutely is used by some students at some point in the process. And just as Dr. Koplik has said, it is a safety valve to ensure that if it happens to be that particular student, the information is there, and the student doesn't lose out on those dollars. So I can think of each of the elements, including some that were challenged in earlier testimony, and you can think of examples where those elements absolutely ensure that students receive dollars. Are they used by every student in the process? Absolutely not. That is the kind of balance we are trying to draw, to ensure that questions are there that will assist students who have those needs to be correctly identified.

It is like my example of all the State tax returns trying to be drawn into the same system, and maybe that item is used in Indi-

ana, but not in Kansas. That is exactly how we get to this complex process and why I personally believe it is so important to ensure that low-income families for all purposes, Federal and non-Federal, have access through a relatively streamlined document. I believe that is achievable.

Senator KASSEBAUM. I think most have indicated they feel that for all AFDC recipients, it is just redundant to have to go into that. What percentage of students would be affected by changing those requirements? Does anybody know?

Dr. Fitzgerald, you are nodding your head. Do you know about what that figure might be?

Mr. FITZGERALD. Senator, it is about 7.5 to 8 percent of Pell recipients.

Ms. HART. I'd also like to add that that is about 8 percent of the people who get into the process now. Having just gone through some very extensive information outreaches in the State of Indiana, my own view is that that 8 percent could and should increase as more of these students find this process enables them to be in the system of higher education, and I see that as very hopeful for educational access.

Senator KASSEBAUM. Ms. Waddell.

Ms. WADDELL. The point that I will further make about simplification has to do with not making the application necessarily complex, but recognizing that the fewer data elements you have on the application and indicated the more you require of an institution to collect additional documents to verify the very few items that have been collected on the application, further delays and draws out the process. So to the extent that you can define what the core data elements are that ensure accuracy and equity and fairness in the distribution of Federal funds so that they don't have to be collected by the institution, the better served everyone will be by that particular process.

Senator KASSEBAUM. I think that is a very good point.

Dr. Koplik, you talked about the re-application and indicated that we have unnecessarily complicated it, and that certainly makes sense. On the other hand, should there be re-application? You mentioned updating some aspects of it; how is that done?

Mr. KOPLIK. Senator, I think it is rather simple. I think with cooperation with the Department of Education, a database can be maintained that institutions can access, and we would ask the students only to report significant changes defined in some way to the information we have from last year, and our research at the committee indicates that for the overwhelming number of students who have once determined themselves to be poor, they will stay that way throughout the college experience. The likelihood of a significant change in income is really unlikely.

Senator KASSEBAUM. I would think so. I would think you could almost ask if there is any reason that your form should be updated.

Mr. KOPLIK. Yes. I applaud that approach to simplification.

Ms. HART. If I could add, please, I think technology may be of great help to us in this arena. One concern I have regarding data that our committees have reviewed is that while it is absolutely true that in the aggregate students don't change dramatically, in

some individual cases they do, in a way that at least our committee believes might skew the equitable distribution of funds.

My personal view is that with technology, the database that Dr. Koplik mentioned might be used to inflate incomes by State and by income level in a way that is predictable, and just ask the family to affirm that that kind of change is applicable in their case, allowing them then to make changes where changes are necessary. Mechanisms like that might be the middle course between not having a student reapply and producing some inequity, and having everyone go through a very complex system.

Senator KASSEBAUM. You mentioned professional judgment, and I think Ms. Waddell touched on it, too. Certainly, it is common sense that this would be important. I just wonder whether the personnel is available to exercise it to the degree that one would hope—in a large university, for instance—when most of it does seem to be computerized data right now. In individual cases I am sure that is true; at a community college, you would have much more latitude.

Ms. WADDELL. And to draw a distinction—there has been some conversation about multiple data entry processors. They collect additional information, but in what other ways do they differ from the free Federal process, and it gets into why there is a fee. It is because one of the services they offer that students pay a fee for is diagnostic assistance to alert the institution that there are some difficulties with the information that has been supplied by the family and draw their attention to it in such a way that professional judgment can be in fact encouraged on a case-by-case basis. That type of assistance is not provided through the free Federal process.

But at my campus, a very large campus with a large low-income student population, we have to exercise professional judgment. We have a lot of dislocated workers and displaced homemakers, and we use that diagnostic information to assist us to know which files to actually work with on a person-by-person basis.

Senator KASSEBAUM. Ms. Hart.

Ms. HART. I'd respond from a slightly different vein, although not disagreeing with Ms. Waddell, that is, that every financial aid administrator that I know, without exception, is in the business to try to exercise professional judgment—to look at that student and his or her educational aspirations as distinct from all others. They get hamstrung by the complexities of the process themselves.

I feel very passionately that part of the effort in simplification of the process is to try to free up those outstanding professionals to do exactly that, that which they do best and that which they know best, and that ultimately that can alleviate a lot of the complexity in the process, allow them to finally address students' true and real needs in a much more humane way, and kind of get this system back on the course that it needs to be. They ought not be trying to get students to wade through paper. They ought to be talking with the family about his or her unique circumstances, and I think that is what they want to do. That is the position that I am here to represent and why I believe these directions could enable that redirection of energies to appropriately continue and go on.

Senator KASSEBAUM. Well, I would certainly hope so. I think that is a very important component of this; I would agree.

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Just to follow along that line, do each of you feel that institutions of higher learning could be doing more to reach out to the high schools, to give them advice? It was suggested in the second panel that maybe an "adopt-a-school" kind of approach could be used. Is that being done to your knowledge?

Mr. KOPLIK. If I might start, the answer is yes, it is being done; the answer is also that probably more will be done. It is a function of trying to further educate the population that will ultimately be your clients, and to the extent possible—and you are probably aware of some of our efforts back home—we're going out into not just the high schools—we have always done that—but reaching down further into the junior high schools to try and develop more academies or learning experiences where we tell them who we are and what we can do and break down the barriers that have usually been there which have been defined as financial.

Ms. HART. I would absolutely agree that there is a great interest. I can say in our own State that Governor Bayh created an 8th grade scholarship program that enables students to be identified to our commission to ensure full free tuition at a public institution or a like amount at a private institution. We think that is the latest point at which we can really affect access to higher education. Part of the need to streamline this process is not only to do professional judgment once the students are on campus, but to try to do those earlier outreaches. If we are truly to make a difference in educational access, that is essential.

Ms. WADDELL. Similar efforts are taking place in the Pacific Northwest by different State associations, in an attempt to bring information much younger students and their parents so that they can make plans. Oftentimes we find that at a young age children make a decision whether or not college is going to be an option for them, so the younger that we can meet with them and help them to know that even if it is not affordable to their families, the option will be there, the more they seem to be locked into the academic setting.

Senator KASSEBAUM. Thank you very much.

Senator PELL. Thank you.

Senator Cochran.

Senator COCHRAN. Mr. Chairman, I just stopped by to thank you for convening the hearing. I regret that an Appropriations Committee hearing required my presence so I could not be here for the entire hearing.

We are going to be having a hearing next week during the break in Mississippi, which we appreciate having the opportunity to do, on some of these subjects that we are touching on today so that in my State we can look at what some of the problems are and some of the options for making a better impact, guaranteeing access, looking at all the simplification issues that you have been discussing today.

I just want to add my thanks to this panel and the others who have testified today. We appreciate your help, and it will be of great value to this subcommittee.

Senator PELL. Thank you very much.

I had one further question and that is, do you believe that we ought to mandate a specific simplified form in the reauthorization bill, and if we don't do that, how do we get the simplified form?

Mr. KOPLIK. I liked your point earlier about looking at a variety of models. Every association will likely have their suggestions, and we have ours as well. I think you should mandate a simplified form. You should put the key players in a room and say, "This is what we expect you to come up with; take about 30 minutes and do it." [Laughter.]

Senator PELL. Ms. Hart.

Ms. HART. I'll make a distinction—I hope it is a significant one—that I think if you give us that marching order and a set of goals and data elements that you think are critical, that we can come up with the form. I personally worry about documents that are embedded in law and our ability to make them as dynamic as you and we need them to be.

But I think that in principle, we certainly feel that a single application direction is essential in the reauthorization process.

Senator PELL. Ms. Waddell.

Ms. WADDELL. I agree with Ms. Hart.

Senator PELL. Well, I thank all of you. We'll try to carry out your thoughts; as you can see, it will not be simple. I think the commission did a very good job indeed, and I congratulate them on their work.

I would also like to thank Lynn Burns of Rhode Island for staying with us on the committee and being here right through the hearing.

The record will stay open for 2 weeks for any additional questions or insertions.

I would also add that the Education Management Corporation has submitted a simplified form to the subcommittee, and this will appear in the record.

[Additional statements and material submitted for the record also follows:]

SIMPLIFICATION OF THE STUDENT AID DELIVERY SYSTEM

Application Simplification

26. Develop a simplified, standard federal student aid application which requests more data from only those who have more data to give:

    a. a "short" version which requests only family income data, to be used by families who do not file a tax return, or by those who file a 1040A or 1040EZ; the data elements on the form would be limited to:

        (1) Student name, address, date of birth, and social security number;
        (2) Parent or spouse name, address, and social security number;
        (3) Parent/spouse/student taxable and nontaxable income for the base (prior) year;

    b. a "long" version which also requests family asset data for all other families; the additional data elements requested would be:

        (1) current value of cash, savings, and checking account;
        (2) current home value;
        (3) current value of business/farm;
        (4) current value of other investments.

27. Simplify the student application process by retaining only the four current "automatic" independent student categories (Veteran, over 24, orphan or ward of the court, has dependents other than spouse). All others would be considered dependent, unless in the judgment of the financial aid administrator the student is evaluated to be independent (See Recommendation #37).

28. Implement a free federal student aid application form. Any fees required for special institutional needs should be born by a party other than the student.

29. Reform the renewal aid application process to require only applicants with significant changes in family circumstances to provide updated information. Families with little or no change in circumstances should be considered for renewal awards based on a simple confirmation of the previous year's application data.

30. Restrict the institution's verification of student applications to:

    a. only those data elements which appear on the federal tax return,

b. only those applicants reporting taxable income, and
c. no more than 20% of the applications received by any institution.

31. Authorize the direct exchange of information between the designated federal student aid application processors and the Internal Revenue Service, in order to facilitate the verification of family financial data.

Role of the Federal Student Aid Application Processors

32. Authorize the current contractual student aid application processors (MDEs) to serve as full service application processors and eliminate the current central processor's role as an application processor, thereby achieving decentralization of the processing system and greater clarity of the process for students.

33. Redefine the function of the current "central processor" to serve as a central data base of historical student applicant and recipient information and student loan activity. Make this central data base of student information directly accessible to the federal ("MDE") application processors, and to institutions, as a replacement for the financial aid transcript.

Need Analysis

34. Combine the two current statutory need analysis methodologies (Pell Grant and standard Congressional Methodology) into one methodology, the results of which are applied differently to derive award amounts for specific Title IV programs.

35. Reduce the four current need analysis formulas to two formulas, "simple" and "regular." The specific formula used would be consistent with the type of application completed by the student; "simple" analysis would be used for "short" form filers, and "regular" analysis for "long" form filers.

36. Revise the assessment of dependent student wages while enrolled in school to eliminate the current inequitable duplication of contributions from savings and earnings.

Financial Aid Administrator Discretion

37. Authorize the financial aid administrator to determine whether a student who does not otherwise meet one of the four "automatic" definitions of independent student may be considered independent in the need analysis process.

38. Authorize the financial aid administrator to make adjustments in the family contribution for purposes of any Title IV program, including Pell Grants, based on the student's individual circumstances.

39. Require that the financial aid administrator review each family's financial circumstances and approve or deny the use of the PLUS or SLS loan as a replacement for the family contribution.

40. Grant the financial aid administrator discretion to establish the payment schedule for release of Part B loan proceeds to the student, consistent with the timing of costs of education.

41. Permit the exercise of any professional judgment or discretion by certified financial aid administrators of those institutions which have met all administrative and financial capability standards of the U.S. Department of Education, and have had no material findings on any reviews conducted the USED, the guaranty agencies, or external auditors.

Program Improvements and Consolidation

42. Revise the allocation formulas for the Campus-Based programs so that they are based totally on relative institutional student need for the funds, rather than on any consideration of historical funding patterns. Relative institutional need is calculated as: the total estimated costs of attendance of enrolled students at the institution in the previous award year who applied for financial aid; less the total estimated Expected Family Contributions of these enrolled students, which are based on typical national EFCs for the family incomes of the aid applicants; less any Pell or State Grants available to the enrolled aid applicants in the previous award year.

43. Eliminate federal SSIG funding to state grant and scholarship programs. Use those appropriations to fund additional SEOG allocations to institutions, based on overall student need at the institution, less any state grants available to students attending the institution.

44. Permit institutions to transfer up to 25% of their federal allocations between the SEOG, CWSP, and Perkins loan programs, in a manner which best meets the funding needs and philosophy of the institution.

45. Expand student access to the College Work Study Program at proprietary institutions to include as eligible work study jobs any position which provides direct services to students or which supports the educational program of the institution in a manner which directly benefits students. Retain the current prohibition against employment of students under College Work Study at proprietary institutions in any recruitment activities.

46. Eliminate federal funding for the pilot income contingent loan program.

ASSOCIATED STUDENTS OF KANSAS

The Student Governments of the Regents Institutions

April 29, 1991

Sen. Claiborne Pell
Chairman, Subcommittee on Education, Arts and Humanities
335 Russell Office Building
Washington, DC 20510

Dear Sen. Pell:

On April 26, 1991, I was privileged to attend the Subcommittee on Education, Arts and Humanities hearing on simplification of the application process for federal financial aid. It was very reassuring to learn that the panelists and those senators who were present are aware that a serious problem exists.

The Associated Students of Kansas, the organization which represents the 85,000 students who attend the six state-assisted universities in Kansas, agrees with the conferees who stated that the process of applying for federal assistance is far too complicated. The procedure is particularly daunting for those at-risk students who are in danger of being excluded from post-secondary education. We fully endorse the idea for a single application form, available nationwide and covering all federal programs, with supplemental information forms supplied as necessary by individual states and schools.

Enclosed please find a copy of a Policy Statement, prepared by a number of state student associations from across the nation, which details student concerns and priorities for the upcoming Reauthorization of the Higher Education Act. I would be pleased to be of assistance to you, or to address the subcommittee, on any of the issues discussed therein.

The maintainance and improvement of the system of post-secondary learing is one of the great challenges facing our country. As chairman of this key subcommittee, you are in a position to affect significantly the quality and availability of higher eduation. I urge you to consider the concerns of students during your deliberations. Your record of consistent support is greatly appreciated and your continued dedication is enormously important to the future of education in our nation.

Sincerely,

Timothy C. Nimz
Executive Director

120 W. 6th • Topeka, Ks. 66603 • (913) 354-1394

Reauthorization of the Higher Education Act of 1965

Policy Statement

I. **Student Aid**

A. **Applying for Student Aid**

1) **Application Process**

It is clear the process of applying for federal financial aid is very complex and confusing. The current financial aid application delivery system should be restructured in order to make it "user friendly." The main goals of the application process should be fairness and encouragement of access to higher education.

For example, first generation college students could have problems because their parents do not have experience in completing complex applications. A more simple process would encourage more low-income students to apply.

2) **Application Form**

A single form that can be used by all post-secondary students applying for federal aid should be required by Congress. Differences in forms should be carefully studied and standardized but not at the expense of quality. Student representatives as well as parents and other interested groups should be involved in helping higher education officials develop the application form.

The process of reapplication should also be reviewed. It is clear that a shorter, supplemental form could be used for students who are reapplying for financial assistance. This streamlining could cut down on paper work, avoid duplication, and maximize the limited resources at every level of the student aid process.

3) **Cost of Application**

The free, common application form for federal student aid should become a reality immediately. The processing of the forms should be free to all students as well as institutions to ensure fairness. The U.S. Department of Education should take a leadership role on this important issue and work with Congress and the Advisory Committee on Student Financial Assistance. Congress should also safeguard the process so that a free form is not a reason to increase costs to students in other areas.

B. Subcommittee On Need Analysis and Delivery System (SONADS)

The Advisory Committee on Student Financial Assistance created this subcommittee to review these important but complex areas of need analysis and the delivery system for financial aid. The key priorities identified by the committee should be supported, and all constituency groups in higher education should work toward implementing them in a fair manner. The key priorities include:

1) dramatic simplification for the lowest-income families (e.g., AFDC families) and investigation of increasing the income cap for simplified need analysis;

2) thorough examination of the annual reapplication process to identify technological or programmatic means for simplifying and streamlining; and

3) assurance that simplification will neither harm nor be harmed by state and institutional information requirements connected with campus-based student aid or external social service programs.

C. Low-income Families

Very often, non-traditional populations have had problems interacting with a large bureaucracy. Efforts should be made to make the system "user friendly" and to help people who have problems understanding the process. Families below a certain income level should be exempted from need analysis. This would help encourage low-income, minority, and disadvantaged populations to attend post-secondary institutions. We believe alternatives should be considered for families with an annual income below $20,000.

D. Independent Student Status

It is clear the current definition of an independent student is not realistic. Criteria for professional judgment by student aid administrators should be defined clearly to prevent abuse and protect both students and financial aid administrators. Independent student status should be reverted to a similar standard that was used prior to 1986. This would change the requirement from 24 years of age or two years of financial independence to two years of financial independence. We encourage liberalized independent status requirements.

E. Cost of Attendance Calculation

Congress should work to create a uniform Cost of Attendance Calculation for all Title IV programs. This would limit confusion and consider education costs that often differ depending on individual student needs and the institutions they attend. Congress should create one need analysis for all Title IV programs. This would eliminate unnecessary paper work and save resources at every level of the process.

F. Tuition

Congress should be on record as supporting low tuition to encourage access to higher education. Efforts should be made to limit the impact of tuition increases on student aid. The current system recognizes the cost of attendance and rewards institutions for increasing tuition dramatically. This system subsidizes students at high-cost schools when these students are often the least needy in a realistic sense. However, the current financial aid formula characterizes them as "needy" because of the high cost of tuition.

G. TRIO

Talent Search, Educational Opportunity Centers, and Upward Bound are programs that help at-risk students from disadvantaged backgrounds. Resources should be increased for programs like these that increase student retention. This will help insure that students will come from a variety of culturally diverse backgrounds.

H. Federal Loans

It is extremely important that Congress reverse the trend of more student loans and fewer grants. Currently, the majority of federal student funding is in the form of loans. This trend is creating a large debt burden for most students. Congress should encourage a minimum amount of borrowing and increase funding for grants, particularly in the Pell Grant Program. Also, the maximum Pell Grant should be increased significantly, especially to students in their first and second years of higher education.

Fair student default legislation should be considered within reauthorization. Counseling required by federal law and administered by school financial aid administrators has had a positive effect on defaults. Methods of distorting default figures must be eliminated. Students should be given a fair chance to eliminate default problems with payment schedules that reflect their current economic status.

While the rate of student loan defaults has been relatively constant, the volume of defaults has soared because student borrowing has soared. As the only entitlement among federal student aid programs, Stafford Loans have been students' only viable means to meet dramatically rising costs of attendance. Although re-establishing the balance between loan and grant aid is the most effective long-term solution to student defaults, fair default reduction measures should be considered within reauthorization.

I. Pell Grants

Pell Grants must become an Entitlement Program. This would increase access to higher education and reverse the trend of low post-secondary attendance by low income individuals. Full funding of the Pell Grant program by the federal government would be a strong investment in our economy that will pay for itself in increased revenues and productivity. This should begin immediately by making it an entitlement program for first- and second-year students.

J. Self-help

Students from middle-income families should be given greater access to loan and work-study programs. The Stafford Loan program should be expanded to include more middle-income families, while the Perkins Loan program should be expanded as an option for lower-income loan recipients. Overall, the goal should be to provide fixed-rate, subsidized loans to students who can begin loan payments nine months after graduation. The federal government, financial aid offices, and other appropriate agencies should publicize deferral options and simplify the process for obtaining deferrals.

We oppose the following two positions of the National Association of Student Financial Aid Administrators (NASFAA) from the document, Preliminary Recommendations from NASFAA's Task Force on Reauthorization:

- **#21.** Require co-signers for all undergraduate Stafford Loans.

- **#24.** After the applicable grace period, establish a 9 percent interest rate for four years, after which loans would revert to the market rate of interest (91 Day T-Bill rate plus 3.25 percent). If the market rate goes below 9 percent, the interest rate would remain the same and the surplus would go to help offset default costs.

We approve of the five positions below:

- **#20.** Continue loan ineligibility for less than half-time students.

- **#22.** Create an incentive for employers to repay student loans on behalf of their employees.

- **#26.** Increase annual Stafford Loan maximum to $4,000 for first- and second-year students, $6,000 for third-and fourth-year students with an undergraduate aggregate maximum of $26,000. Increase annual graduate maximum to $10,000 with a graduate aggregate maximum of $50,000. The total Stafford Loan aggregate maximum would be $76,000.

- **#27. a.** Simplify deferment provisions by establishing three deferment categories, those being:
  1) an in-school deferment for full- and part-time attendance (presumes elimination of parental deferment for dependent students);
  2) an unemployment deferment for up to two years; and
  3) a temporary total disability deferment for up to three years.

- **#27. b.** Rescind the current requirement that a student enrolled on a half-time basis must borrow again in order to obtain a deferment

K. Community Service

Loan forgiveness and/or deferral for national service should be revived for the nation's well-being. Undergraduate and graduate students who make sacrifices to help society should not be discouraged by a large debt burden. However, mandatory community service should never be a prerequisite for federal aid as it would discriminate against low-income Americans and those who cannot afford to volunteer their time. Community service should be strongly encouraged to benefit students and communities.

L. Support for Graduate Education

The federal government should increase grants to graduate students. Graduate enrollment has declined significantly in recent years. This trend must be reversed. More minorities and women should be encouraged to further their studies beyond a baccalaureate degree, particularly in areas in which they are historically under-represented.

Additionally, increasing loan limits in the Stafford Loan Program for graduate students would be beneficial. This would keep the cost of borrowing reasonable, and keep debt at a manageable level because students would not be forced to secure high-interest bank loans when funds are depleted. Increasing the deferment period should also help students who cannot afford loan payments during training periods in certain careers.

M. Veterans Educational Outreach Programs

Although this program is poorly funded, it has been beneficial to many students. The small amount of funding often deters institutions from participating in the program. Increased funding to programs should encourage participation from new institutions and institutions that have small numbers of participating veteran students.

N. Income Contingent Loan (ICL)

In an effort to maximize loan dollars available for programs most beneficial to students, ICLs should be discontinued as one of the federal loan programs. ICLs result in increased borrowing costs for students because interest accumulates significantly over the duration of loan repayment. In addition, ICLs create a tremendous amount of administrative work for both institutions and the government.

O. Proprietary Institutions

Profit-making institutions have significantly increased their share of student aid dollars. The share of student aid dollars to traditional universities and colleges has decreased significantly while enrollments have increased in recent years. Separate student aid programs for profit-making institutions and traditional colleges need to be implemented after proper study and input from all groups. This would allow a fair, equitable distribution of the limited student aid dollars. Because profit-making proprietary institutions offer programs of instruction without regulatory or formal accreditation processes, the potential exists in this program for abuse of both federal aid programs and requirements for student recipients. Efforts must be made to introduce consumer-protection measures to assure quality and integrity at profit-making proprietary institutions.

P. College Work Study

Students who use the work-study program should be able to continue to use their funding to work in non-profit organizations. All work-study students should be paid the federal minimum wage or more and should be exempt from a training wage. Work-study eligibility awards should reflect the amount of net federal work-study funds a student may earn rather than gross wages. No further decreases should take place in the federal share provided under this program, and increasing the governments share back to 80 percent should be considered.

Q. Promotion of Student Aid

The purpose of federal financial aid programs is to improve access to higher education for low-income students. It is strongly encouraged that the federal government should advertise federal financial aid (Pell Grants, Stafford Loans, college work study, etc.) as an option aside from military service (GI Bill programs) for low-income students in an attempt to subsidize their education.

II. Libraries - Title II

Funding is needed to improve and maintain library collections. Students who attend under-funded institutions suffer because of the condition of library collections. Congress should encourage institutions to share library resources to better serve students and the community. Better libraries would also help improve graduate education where libraries play a critical role in program quality.

III. Institutional Aid - Title III

The funding formula should be changed to include smaller, historically African-American colleges and universities that are unable to get larger increases in grants when appropriations increase. Aid to these institutions is critical because smaller institutions often have greater financial pressures.

IV. Facilities - Title VII

Many campuses have critical infrastructure needs. Levels of funding should be increased to meet these needs and provide quality buildings and facilities for institutions and students. Renovations involving health, safety, and physical accessibility issues should be given priority. The time limit between loans should be reduced from 10 years to five years for colleges and universities. This would give institutions with critical space needs the resources they need to respond to student demands.

V. Teacher Education - Title V

Better funding and coordination should be provided for this collection of five, related but disjointed teacher education programs. Currently, the appropriation is about one-third of the authorization in Fiscal Year 1989. Increases will help teachers and administrators at a time when professional development and training are in great demand. A new program should be considered to help encourage minority teacher recruitment. It is further recommended that Congress investigate the possibility of creating a teachers' corps program in which federal funds can be used by states to encourage post-baccalaureate students to teach in at-risk schools. This could serve as a possible avenue for loan repayment.

VI. Fund for the Improvement of Post-Secondary Education (FIPSE)

Studying higher education is an important function and should be encouraged through agencies like FIPSE. Continued development of FIPSE and increases in grants available to study important issues in post-secondary education is encouraged. Congress should involve students in decision making at all levels and encourage student organizations to develop proposals for funding by FIPSE.

VII. Outreach Efforts

Outreach efforts which will address retention of students at an early age (before high school) and prepare a diverse work force must be developed. When creating outreach programs, Congress should encourage the following:

1) create incentives to train and educate a diverse work force through grants to education agencies and institutions;

2) increase the number of qualified teachers through scholarships and loan forgiveness with funding directed to minority and low-income students and institutions;

3) utilize the talents of college students when helping at-risk students; and

4) develop funding for academic partnership programs between post-secondary and K-12 institutions.

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A Consortium of State Student Associations

Arizona Students' Association

Colorado Student Association

Illinois Student Association

United Students of Iowa

Associated Students of Kansas

Michigan Collegiate Coalition

Minnesota State University Student Association

Associated Students of the University of Missouri

Nebraska State Student Association

Washington Student Lobby

United Council of the
University of Wisconsin Student Governments

Major campuses participating but not represented by state organizations:

Indiana State University Student Government Association

Northwest Missouri State University Student Association

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RHODE ISLAND
COLLEGE

President

March 25, 1991

The Honorable Claiborne Pell
Dirkson Senate Office Building
Washington, DC 20510

Dear Senator Pell:

I am enclosing a copy of the American Association of State Colleges and Universities publication entitled "Public Policy Agenda 1991". This "Agenda" represents recommendations that have been put forth by the Council of State Representatives from each of the states in the country.

I would be most grateful if you would consider this publication and its recommendations in light of the upcoming reauthorization of the Higher Education Act 1965.

Sincerely,

John Nazarian

John Nazarian
President

JN:jl

Enclosure

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United States Senate
COMMITTEE ON LABOR AND
HUMAN RESOURCES
WASHINGTON, DC 20510-6300

April 4, 1991

Dr. John Nazarian
President
Rhode Island College
Providence, Rhode Island 02908

Dear John:

Thank you very much for your recent letter enclosing the American Association of State Colleges and Universities publication, "Public Policy Agenda 1991". AASCU is scheduled to testify before the Subcommittee on Education, Arts and Humanities on April 25. I am happy to make the publication you sent an offical part of the hearing transcript at that time. This will assure that their views are carefully considered as we proceed with the Reauthorization of the Higher Education Act.

Again, thank you for bringing this publication to my attention.

Warm personal regards.

Ever sincerely,

Claiborne Pell
Chairman
Subcommittee on Education,
Arts and Humanities

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Edward Elmendorf
Vice President

Hilary Goldmann
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Allan W. Ostar, President

Code 331 • 2/91

Public Policy Agenda 1991

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The modern, comprehensive state colleges and universities comprising the American Association of State Colleges and Universities (AASCU) share common roots and characteristics. With more than 370 member institutions enrolling 2.5 million students, AASCU institutions provide higher education opportunity to one of every five students in American higher education. AASCU institutions annually graduate:

- *one-third of our nation's bachelor's degree recipients*
- *more than one-quarter of its master's degree recipients*
- *6 percent of all doctorates, and*
- *more than one-half of America's teachers.*

AASCU's Commitment

This agenda is derived from the policy direction of the AASCU Board of Directors, shaped by the recommendations of the Council of State Representatives, and focused on the four issues of educational opportunity and achievement, higher education finance, economic and community development, and the international dimensions of AASCU institutions. The Office of Governmental Relations, in conjunction with AASCU's three new programmatic centers and the Office of International Programs, will endeavor to sustain national momentum in implementing these priorities and to provide a sharper focus and more visible platform for them.

For 1991, special attention is directed to the reauthorization of the Higher Education Act of 1965, due for completion September 30, 1991, unless extended for another year. The Council of State Representatives is reviewing and recommending specific changes to the Act to guide AASCU in presenting its changes to Congress.

Federal and state budget restrictions make it difficult to sustain the level of funding increases in 1991 for new programs or sizable increases in budget allocations in 1992. Recognizing these constraints, AASCU, when possible, will advocate policies that reallocate, realign, or reconfigure existing programs and funding as well as propose new funding for high-priority programs that benefit students of AASCU institutions.

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Educational Opportunity and Achievement

Enhancing educational opportunity and achievement is the driving force behind many of AASCU's reauthorization recommendations. Advocated strategies encompass but are not limited to: (1) providing policy analyses on student aid issues and promoting balanced financial support to encourage greater participation by disadvantaged students under-represented in college enrollments; (2) opposing significant shifts in federal and state education funding allocations; (3) supporting the implementation of National Education Goals; and (4) supporting proposals to increase or reallocate funding that may benefit AASCU students and institutions. AASCU will attempt to implement the policy positions described in this statement through a concerted effort involving its member institutions, programs, workshops, and special projects, and by communicating AASCU institutions' purposes to the media, policy makers and organizations.

Priority Directives

- Support programs and funding incentives that help identify and encourage minority students in grades 7-12 to aspire to and prepare for careers in elementary and secondary school teaching.

- Propose changes to the Higher Education Act of 1965 as part of its reauthorization scheduled in 1991, and advocate federal legislation consistent with the Higher Education Act to provide direct assistance and support services to students—especially to encourage disadvantaged students to graduate from high school prepared to pursue and complete a college education.

- Advocate increased funding for, and stimulate federal, state and local interest in, student special services (TRIO) programs aimed at reaching junior and senior high school students who would not otherwise aspire to higher education, who have been discouraged from attending college because of misinformation about costs or lack of financial assistance, or who need developmental skills services to attain the required level of achievement while attending public colleges and universities. Dramatically increase funding of pre-college TRIO programs (Upward Bound, Talent Search, Educational Opportunity Centers), with emphasis on expanding summer programs and involving a broader array of institutions, such as community-based organizations.

- Establish a new project grant program with state education entities to give junior and senior high school

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"It is the responsibility of AASCU institutions, as the nation's primary source of teachers, to exercise leadership in achieving the National Education Goals established by the nation's governors and the President. The education of our nation's teachers is critical to the success of our nation's students as they seek to pursue and attain these goals. AASCU institutions are committed to strengthening the pre-service and in-service education of teachers that is essential to the attainment of the goals by the year 2000 or soon thereafter."

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students an early assessment of their eligibility for student aid and to give them counseling, career planning, and other services to encourage their aspirations for higher education. Such projects should link higher education with the secondary schools, social service agencies, and business and labor.

◆ Give the Fund for the Improvement of Postsecondary Education expanded authority to fund models of early intervention programs to identify and disseminate factors that contribute to successful programs.

◆ Establish a line item in the Department of Education budget for a national effort to publicize the importance of postsecondary education in long-term career planning, the availability of student aid, and the need for completing high school courses to meet college requirements.

◆ Expand the Special Services program to meet the needs of more at-risk students (the program currently serves only 10 percent of those eligible), and expect of all institutions that they provide a designated minimum of special services to at-risk students as a condition for federal program eligibility.

◆ Improve the student financial aid delivery system by establishing clear principles for its design, clarifying the accountability of the Education Department for the management of the system, identifying federal funding sources for all recipients, establishing performance criteria to determine required levels of institutional regulation, and developing a simplified, single application form.

◆ Modify the financial need analysis system to improve the equity of the formulas for and definitions of independent students, establish the appropriateness of base-year vs. estimated-year income in determining the student contribution, ensure greater equity in the treatment of assets, achieve greater consistency in the use of professional judgment, and develop a simplified need analysis for all Title IV programs.

◆ Advocate and support continuing adult postsecondary education to expand access to education and training for adults to engage in furthering lifelong educational opportunities.

◆ Establish permanent federal legislation and funding that recognizes the diverse student mix of full-time and

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part-time enrollments in AASCU institutions and extends student financial assistance on a full-parity basis to part-time students.

- Increase funding for Pell Grants and Educational Opportunity Centers. This would improve both the amount of aid and the extent of outreach available to older part-time students.

- Expand the flexibility allowed institutions in transferring funds between Supplemental Educational Opportunity Grant (SEOG) program and College Work Study from 10 percent to 25 percent. This would permit institutions to better assist part-time and independent students having dependents. In conjunction with this flexibility, make more money available for campus-based programs by increasing the matching requirement from the current 15 percent for Supplemental Educational Opportunity Grant to 30 percent, consistent with the match required for College Work-Study. This would increase the amount of student aid available even if federal funding does not increase.

- Expand current authorities for support of adult learners and cooperative education programs (Title I, Title VIII).

- Advocate federal legislation that shifts the current imbalance of student financial aid funding away from a reliance on loans during a student's first year in college: consider policy changes that could better provide aid in the form of grants and work-study funds during the first year; support proposals to curtail the award of supplementary loans to first-year students; and explore new proposals that restrict subsidized first-year guaranteed student loans by phasing in loans as needed after the student becomes academically established.

- Establish a mechanism to ensure regular increases in the Pell Grant maximum. Such a mechanism should have the following characteristics:
  - It should achieve a substantial initial-year funding increase in the maximum Pell award to repair the erosion of its value because of inflation and to reduce or eliminate borrowing for many students, particularly high-risk students, early in their postsecondary program.
  - It should ensure annual increases in the maximum award, based on a designated inflation index.

" Nearly one-third of America's students attending four-year, public colleges and universities are over 23 years of age, and their number is projected to surpass 50 percent in the next decade. Nearly two-thirds of all students over age 23 attend institutions on a part-time basis. To recognize this rapidly changing composition of our student population, AASCU will require a public policy agenda that employs new approaches, considers alternative resources, and has greater flexibility in the years ahead. "

◆ Revise the Pell Grant formula to make it more sensitive both to cost of attendance and family income:
- It should include formula changes that remove the current inequitable treatment of low-income students attending low-tuition institutions.
- For individual awards, it should establish more realistic living allowances for computing individual awards, and some recognition for the additional tuition costs for higher-priced institutions.
- It should pro-rate grants to students in short-term vocational programs, in recognition of the greater time and expense required for collegiate degree programs.

◆ Increase funding for the Supplemental Educational Opportunity Grant program and review the allocation formula to ensure equity and effectiveness. This would provide more assistance to needy students and give institutions more flexibility to package assistance according to individual student needs.

◆ Amend the existing State Student Incentive Grant program to authorize federal matching funds for a new purpose: encouraging state initiatives that guarantee needed assistance to elementary and secondary students from low- income families to allow them to attend institutions of higher education upon successful completion of high school.

◆ Expand funding for the College Work-Study Program so that students have a practical option of substituting work for all or part of their loan eligibility, and review the allocation formula to ensure its equity and effectiveness. This would give students an alternative to assuming greater debt. Recent research has linked campus jobs to academic persistence.

◆ Amend the Perkins and Stafford Loan Programs to include "low-income insurance" options to permit flexible repayment for borrowers who have low incomes after graduating or dropping out of postsecondary education.

◆ Require lenders to provide graduated repayment schedules for all borrowers. This would ensure that borrowers have more flexible payment schedules for the early years of repayment (when incomes tend to be low).

◆ Expand the Perkins Loan Program with additional capital contributions, review the allocation formula to ensure its equity and effectiveness, and provide second-

" To increase the investment made by America in education and to make the dividends widely available, AASCU must promote a clear and visible partnership between educational practices and public policies. AASCU's 1991 Public Policy Agenda reflects this partnership. "

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ary market facilities or loan servicing for institutions that elect not to manage their own portfolios, or institutions with limited administrative capacity. Assuming that the Perkins Loan Program is scored like other federal loan programs under the newly enacted credit accounting amendments to the budget act, only the subsidy will be tracked, making the Perkins program cheaper in the federal budget than commercial lending under the Stafford loan programs.

◆ Increase Stafford Loan limits to reflect rising costs, and provide three tiers of limits: for first-year students; for sophomores, juniors, and seniors; and for graduate/professional students. This would protect needy students from excessive debt in the initial postsecondary year but would provide greater access to subsidized loans as students progress. (Higher limits for graduate students would make it possible to eliminate them from eligibility for Perkins Loans, so that the program could be targeted to the neediest undergraduates.)

◆ Permit institutions with a proven record of financial management and satisfactory default rates to be eligible to lend under the Stafford program; remove the current statutory limitations.

◆ Abolish the Income-Contingent Loan Program, a failed experiment that unfairly exacerbates the debt burden of the lowest-income borrowers. Federal funds could be applied more usefully to expansion and modification of the Perkins Loan Program.

◆ Ease financial need restrictions (such as non-liquid assets) and borrowing limits in the student loan programs.

◆ Raise or remove loan limits from parent loans (PLUS) to give students or parents the option of borrowing up to the level of cost of attendance minus other aid.

◆ Provide higher Pell Grant maximum awards to dependent students and independent students having dependents than to single independent students.

◆ Support improved regulatory and legislative measures to reduce student loan debt burden and to prevent student loan defaults.

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◆ Strengthen legislative and regulatory authority for the Education Department to differentiate between collegiate programs leading to a degree and short-term vocational programs. Regulation would be more efficient if targeted to the problems specific to each sector. Data on program recertification and immediate job placement are much more critical for students enrolling in short-term vocational programs.

◆ Replace the definitions of eligible institutions in the Higher Education Act with new definitions that differentiate only between collegiate degree-granting institutions and vocational programs of less than two years.

◆ Eliminate from eligibility for Title IV all those home study schools and vocational programs that offer a course of instruction of less than 600 clock hours and are now eligible for Stafford loans.

◆ Strengthen existing laws and regulations concerning:
- *Institutional eligibility and accountability requirements.* (For example, mandate the provision of consumer and financial information, minimum requirements or certification for financial aid personnel, sharing of information by all oversight bodies; restrict abuses of branching and accreditation-jumping.)
- *Accrediting bodies.* (For example, require an assessment of outcomes for short-term vocational programs; require timely sharing of information by accrediting agencies and state licensing agencies. Regional accrediting agencies should be encouraged to develop two-track accrediting processes, with different standards for collegiate degree-granting and short-term vocational programs. Accrediting agencies should be required to establish the minimum length for short-term vocational programs. The Department of Education should be authorized to decline recognition of an agency or institution recognized by the Council on Postsecondary Accreditation (COPA) for purposes of eligibility for federal funds, etc.)
- *Responsibilities of the Education Department.* (For example, require stricter financial review of institutions prior to their certification and periodic recertification for Title IV eligibility; require in-depth management reviews of institutions with specific management problems; and require stricter standards for recognition of accrediting agencies.)
- *State licensing standards.* (Require a determination by the Secretary of Education that the state in which

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any Title IV-eligible institution is located has established standards and procedures to guard against fraud and abuse.

◆ Support legislation requiring the Department of Education to undertake an annual evaluation of, and report on, the nature and extent of regulatory and administrative problems in the student aid programs, with an analysis of the extent to which they occur in different types of collegiate degree-granting and short-term vocational institutions.

◆ Support legislation to authorize the Department of Education to: differentiate regulatory requirements so that they can be targeted to the most serious problem area; to make demonstration grants to test methods of outcomes-tested accountability and to support innovative ways of meeting federal regulatory objectives; and to add performance standards to Program Participation Agreements for institutions identified as problem schools.

◆ Support legislation that requires all institutions to submit audited financial statements certified by an independent accountant for their two most recent fiscal years, and an interim report on their current financial condition, as a prerequisite to certification or recertification of eligibility to participate in federal programs. The Department should be authorized to deny certification or recertification to institutions that do not meet the financial responsibility tests outlined in existing regulations.

◆ Advocate increased funding for developing institutions through Title III of the Higher Education Act, and stimulate federal interest in restructuring the program to allow for a more equitable mix of funding between two-year and four-year institutions.

◆ Eliminate the community college set-aside in Title III and require a comprehensive Title III program evaluation.

◆ Double the funding for current Title IX fellowship and training programs awarding support to the most promising students and the most productive departments and programs through merit-reviewed national competitions.

◆ Expand and modify the Harris Public Service Fellowship program to provide grant support for a broader set of fields than those currently funded and to include fields in which the master's degree is typically the highest degree offered and in which subsequent careers serve valuable public purposes but provide modest earning potential.

◆ Provide incentives for students in master's programs who elect to continue in doctoral programs. Such incentives might take the form of forgiveness of loans incurred during master's study by students who promise to pursue a doctoral program or a master's grant program.

Other Directives

◆ Stimulate federal and state interest in creating new programs that will provide incentives for parents and families to save for their children's education but will not diminish the state's responsibility to support public colleges and universities that provide affordable education to their citizenry.

◆ Support and strengthen existing teaching, research, and service programs at public colleges and universities for minority students and non-native-speaking citizens, and target funding for programs that increase the participation of disabled and minority students.

◆ Advocate increased funding and technical support for the nation's historically black public colleges as well as those institutions with large numbers of Hispanic and Native American students.

◆ Support rational, non-intrusive legislation to improve the quality of student life on campus, including campus security, measures to combat racism, and support for drug and alcohol education and rehabilitation.

◆ Advocate federal and state funding incentives and recommendations that may emanate from the National Education Goals—recommendations that demonstrate cooperation and collaboration between school systems and higher education, especially concerning teacher education reform.

◆ Advocate the importance and increased support for diversifying teacher education through the development and implementation of special programs for recruiting and retaining minorities.

◆ Advocate the expansion of federal funding to meet the authorized levels contained in the recently enacted Na-

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tional Science Foundation Authorization Act of 1988, especially for the Academic Research Facilities Modernization Program. Support additional state funding to assist AASCU institutions in constructing, renovating, or improving undergraduate science and engineering institutional facilities and in upgrading or replacing obsolete equipment.

◆ Advocate the science education recommendations in the recent AASCU report, *Formula for Reform*, especially those concerning support for: doubling the National Science Foundation (NSF) budget in the next five years without jeopardizing funding for student aid and other federal program priorities advocated by AASCU; revising the distribution of funds in NSF between research and education, with a two-thirds share for research and related activities and a one-third share for science and engineering; and consolidating undergraduate programs and funding within the Undergraduate Science Engineering and Mathematics Education (USEME) Division of Science Engineering and Education (SEE).

◆ Support the development of the nation's capability in research and science on a broad geographical base. (AASCU should serve as a dominant voice in broadening the participation of this capability.) Seek additional federal and state resources to mobilize these resources to stimulate public awareness.

◆ Advocate a broadening of eligibility within the National Science Foundation, National Institutes of Health, and other similar agencies supporting undergraduate research and health professions programs to allow higher numbers of faculty at AASCU institutions to compete for funding.

◆ Cooperate with the military in expanding educational opportunities for men and women in the armed services through tuition assistance programs and the Montgomery GI Bill. Advocate funding for the support of education, counseling, and job placement that is likely to be needed when the Department of Defense triggers military downsizing. Support federal, state, and institutional policies that help servicemembers complete programs that have been interrupted as a result of an unexpected call to active duty.

◆ Strengthen federal and state support of public education at all levels, with a special emphasis on programs

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that add to the supply of teachers, promote curriculum reform, and enhance teaching and learning effectiveness. Toward this end, support such initiatives as federal demonstration grants to higher education institutions.

Higher Education Finance

Priorities and activities selected to enhance higher education policy and finance encompass both federal and state finance issues. These include but are not limited to: (1) analyzing and communicating trends and issues affecting the financing of state-assisted public institutions; (2) advocating public responsibility for the support of education; (3) seeking alternate ways to fund public higher education; (4) promoting effective use of funds and assessing ways to ensure academic quality and cost effectiveness in public colleges and universities in the states; supporting provisions of the tax code that act as incentives to AASCU students and institutions; and assisting state legislative and executive staffs, and other associations engaged in the study of state higher education issues, especially in issues relating to the critical mix of state and federal funding of public colleges and universities.

Priority Directives

◆ Reaffirm to state policy makers the central role of public colleges and universities in serving state and local governments as they address critical public policy problems and issues.

◆ Advocate sufficient funding at the state level to public institutions to maintain the low tuition principle: making tuition affordable so that more citizens can avail themselves of the opportunity for a college education.

◆ Encourage the direct involvement and cooperation of AASCU members in the national agenda stimulated by the Education Summit and the National Education Goals established by the nation's governors and the President.

◆ Assist in the implementation of the National Education Goals, and support efforts to ensure academic quality and cost effectiveness in public colleges and universities that recognize and foster institutional accountability.

◆ Promote professional leadership in the field of teacher preparation, and take the initiative in the training and education of the nation's teachers.

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◆ Advocate a reexamination of tax code barriers affecting government bonds and other tax-exempt financing vehicles that act as disincentives to the financing of construction and renovation projects at AASCU institutions.

◆ Resist further erosion of the federal deduction for state and local property and income taxes, two significant sources of funding higher education in the states.

◆ Promote provisions in the federal tax code that will serve as incentives for private giving to higher education institutions.

◆ Resist further erosion of federal tax code benefits for students; advocate continuing the current exemption of students from employment taxes and the current exemption of tuition amounts of scholarships and fellowships; advocate an end to taxation of scholarships and fellowships for foreign students attending U.S. universities.

◆ Advocate a permanent extension in the tax code of tax-free tuition benefits for employees who enroll in college-level undergraduate and graduate courses under the employee education assistance program.

◆ Advocate a policy, which can be addressed in possible changes to the federal unrelated business income tax law, that does not disadvantage state institutions in their need to meet the demands of their unique student population or to engage in other necessary self-supporting activities usually expected of public colleges and universities.

◆ Oppose the implementation of restrictive statutory language at the state level regarding college and university enterprises that would inhibit the legitimate provision of educational services to students and faculty, such as continuing education and the sale of computers for educational purposes.

◆ Stimulate federal and state interest in funding academic facilities to contain and reverse the consequences of deferred maintenance and to prepare for new enrollment increases expected in the next decade.

◆ Advocate increased funding levels for Title VII of the Higher Education Act of 1965 especially for areas identified as those of greatest need. Current estimates indicate an urgent need to repair or replace 20 percent of campus plant facilities at a cost of $60 billion.

◆ Advocate and support programs that would bring the latest technology and networking opportunities to all AASCU member institutions.

Other Directives

◆ Advocate the direct involvement of AASCU members in the policy setting processes of major state based and regional associations that affect state colleges and universities, including the National Governors Association, the Education Commission of the States, the National Conference of State Legislatures, and the State Higher Education Executive Officers.

◆ Document and promote the importance of higher education to the health, vitality, and well being of the states by encouraging them to expand their investment in public colleges and universities.

◆ Help the diverse constituencies of public colleges and universities recognize the vital importance of institutional autonomy and the critical link between that autonomy and the development and preservation of a high quality of public higher education, emphasizing that there is no single best governance or coordinating structure that works for every state.

◆ Examine the use of state funding formulas and processes that are both flexible and fair and that recognize the role of enrollment patterns in public colleges' institutional mission, such as the number of part-time students.

◆ Identify innovative ways of generating voluntary support for public higher education from external sources—alumni, grants and foundations, and business and industry.

◆ Stimulate interest in activities that help state policy makers recognize changes in roles, missions, and traditional constituencies of public colleges and universities, and encourage more flexible policies and creative financial incentives to better meet the changing needs of the states and regions.

◆ Support and strengthen the use of campus-based student outcomes assessment programs at public colleges and universities to demonstrate accountability to

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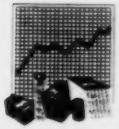
state governments, and do so in a way that contributes positively to statewide or systemwide student assessment mandates.

◆ Advocate changes in state regulations to make it easier for public colleges and universities to attract and perform economic development functions, and advocate a removal of unnecessary obstacles that prevent their broad-based community involvement in economic development and the public sector.

◆ Advocate incentives for business and industry to develop training programs that prepare employees for international trade and business.

Economic and Community Development



Priorities and activities selected to enhance economic and community development encompass but are not limited to: (1) helping public colleges and universities identify, plan, implement and evaluate processes to address and solve local, regional, state, and national economic problems; (2) helping identify specific and central roles for AASCU institutions by developing guidelines and models for economic and community development; (3) promoting a vital link with community colleges; (4) assisting AASCU institutions in becoming full partners in efforts to improve social, economic, political, physical and cultural environments in the regions they serve; and (5) promoting the educational preparation of displaced persons in the community so that they can participate in the economic growth of their communities, regions, states, and the nation.

Priority Directives

◆ Advocate the strengthening of relationships and collaboration between teacher preparation programs and local school districts and industry.

◆ Advocate the priority of improving the quality of education within public school districts in cities, small towns, and rural areas through increased collaboration between state colleges and universities, local school boards, and districts.

◆ Promote the importance of and develop strategies for recruiting public school teachers for small town, agricultural and remote school districts.

Other Directives

◆ Advocate federal and state interest in providing incentives for college students to engage in public service careers and community service.

◆ Seek an enlarged role for AASCU institutions in the initial planning of state-level economic development activities.

◆ Support the funding of economic development programs that will harness creative talents contributed by academic and business partners, and advocate that these developmental efforts be funded in a manner that focuses on small business development and utilization of the most appropriate public colleges and universities.

◆ Stimulate and redefine interest in university public-service activities through urban and rural area studies programs that correspond directly to national or regional agendas.

◆ Stimulate interest in, and funding for, active collaboration and cooperation among all sectors of the education and public service communities in support of rural revitalization activities, such as economic development programs and the delivery of distance learning programs.

◆ Strengthen public perceptions and increase awareness about AASCU institutions' rural and urban programs on a regional and national level.

◆ Advocate funding for urban public universities that helps advance academic programs and basic and applied research, and involves urban universities more deeply in the economic, cultural, and social lives of their cities.

International Policy Issues

Priorities and activities selected to strengthen the ongoing international dimensions of AASCU institutions include but are not limited to: (1) increasing minority and disadvantaged participation in international exchange programs; (2) supporting Title VI of the Higher Education Act of 1965, with increased emphasis on internationalizing the campus and curriculum at AASCU institutions; (3) establishing a National Endowment for International Education to increase the quantity and improve the quality, of teaching and learning about attitudes, perspectives, subjects, and skills that enhance the full range of international understanding; and (4) promoting joint

ventures between AASCU institutions, state and federal governments, and multinational corporations to expand and improve AASCU institutions' contribution to international understanding and world peace.

Priority Directives

- Advocate, pursue, and implement policies and programs that increase the participation of minority and disadvantaged students and faculty in international exchange programs, in historically black and Hispanic colleges and universities and in majority white institutions.

- Support the reauthorization of Title VI of the Higher Education Act, but with increased attention to and reallocation of funds for both the undergraduate and graduate programs of AASCU institutions.

- Advocate new legislative authority that provides for study abroad, overseas research centers and programs to train language teachers. Permit grants for study abroad programs closely related to on-campus foreign language curricula (Undergraduate International Studies); permit support for programs abroad; and include the cost of travel in stipends (Intensive Summer Language Institutes); and provide authority for grants to support opportunities for business students to study abroad in locations that are important to the economic well being of the United States.

- Consider establishing a new national focal point for leadership in the international dimensions of American education—the National Endowment for International Education—which would serve to increase the quantity and improve the quality of teaching and learning about attitudes, perspectives, subjects, and skills that enhance the full range of international understanding.

- Stimulate federal and state interest in funding incentives for public colleges and universities to assume a national leadership role in internationalizing the curricula across the university, and develop policies and practices that reflect the modern realities of global interdependence and competitiveness.

- Advocate federal and state funding incentives to encourage joint ventures between AASCU institutions and multinational corporations and foreign institutions of higher learning.

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- Advocate federal and state funding for long term reciprocal student and faculty exchange programs, in-service education, staff development, area studies, foreign language instruction, and economic development opportunities abroad.

AASCU's Public Policy Challenge for 1991

AASCU institutions have accepted a public responsibility to provide citizens with an equal opportunity for access to a college education. With the resources of students, families, communities, regions, and state and federal governments, the nation has prospered. AASCU's Public Policy Agenda for 1991 is intended to assist state colleges and universities in addressing the goals the public has set for them.

Education can become a top national priority if the public attention it has received during the setting of the National Education Goals is sustained. Specific goals have been set and accepted by the President and the nation's governors. AASCU will support and assist in the implementation of these goals at the federal and state levels. AASCU will also continue to pursue the goals set by the National Commission on the Role and Future of State Colleges and Universities—for example, achieving a rate of at least 35 percent of American adults possessing a college degree by the year 2001, and graduating one million additional public school teachers to meet the anticipated teacher demand during the next decade. This will take commitment, leadership, and resources.

AASCU institutions have earned public trust as leaders in higher education. They have accepted the challenge to assume the primary public role in each of their respective states as centers of higher learning. AASCU's Public Policy Agenda for 1991 is the governing influence in fulfilling the role of stewardship of America's state colleges and universities.

Questions and comments on this Agenda should be directed to:

Office of Governmental Relations
American Association of State
Colleges and Universities
One Dupont Circle/Suite 700
Washington, DC 20003-1192
202/857-1825

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West Virginia: Robert J. Dillman, President, Fairmont State College
Wisconsin: Charles W. Sorenson, Chancellor, University of Wisconsin-Stout

Senator PELL. The hearing is adjourned.
[Whereupon, at 12:30 p.m., the subcommittee was adjourned.]

REAUTHORIZATION OF THE HIGHER EDUCATION ACT: FOCUS ON HISTORICALLY BLACK COLLEGES AND UNIVERSITIES

TUESDAY, APRIL 30, 1991

U.S. SENATE,
SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES, OF THE
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Orangeburg, SC.

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 134, Belcher Hall, South Carolina State College, Orangeburg, SC, Senator Strom Thurmond, presiding.

Present: Senator Thurmond.

OPENING STATEMENT OF SENATOR THURMOND

Senator THURMOND. Ladies and gentlemen, it is a pleasure to be in Orangeburg to hear first-hand your views on reauthorization of the Higher Education Act.

As a former teacher, athletic coach, and county superintendent education, I am vitally interested in the direction of education in this country, particularly in times such as now, the 1990's. Having a daughter in college and a son who will be a freshman in the fall, I am personally interested in the direction of higher education.

While the face of education has undergone changes to meet new demands, one thing has remained clear, and that is nothing is more important than a sound education to prepare Americans to meet the challenges of everyday living. Simply stated, education provides the solid foundation needed to face the challenges of today.

As a member of the Subcommittee on Education, Arts and Humanities, of the Labor and Human Resources Committee in the Senate, I am delighted to have the opportunity to hold this field hearing on the campus of South Carolina State College. I wish to thank Dr. Albert Smith, the able president here, and his fine staff for their hard work and generosity in hosting this hearing. Dr. Smith knows how to get things done. Each step of the way, he has rendered his very able assistance. He is a real man of action.

It reminds me of a story I once heard about a man whose wife won the lottery. She called up her husband and said, "I won the lottery, a million dollars, pack your clothes." He said, "Summer or winter?" She said, "Both, and be out of the house by 6 o'clock tonight." She was a woman of action. [Laughter.]

Over the past few months, the subcommittee has held several hearings in Washington to receive testimony on reauthorization of the Higher Education Act. Today, we have the opportunity to hear first-hand from educators outside of Washington who are involved in the day-to-day operations of higher education institutions—in this case, historically black colleges and universities.

Before hearing from the leaders of each of the historically black colleges and universities in the State, we will first hear from Dr. Barbara Nielsen, if she gets here in time. If not, we will hear from her later. Of course, she is the State Superintendent of Education, and she will speak on "Preparation for College."

Next, we will hear from Mr. Fred Sheheen, of the Commission on Higher Education, regarding the "Big Picture for Higher Education."

Our last panel will consist of the leaders of the historically black colleges and universities: Dr. Albert Smith, president of South Carolina State College; Dr. Collie Coleman, president of Allen University; Dr. Ruby Watts, vice president for Academic Affairs at Benedict College; Dr. Oscar Allen Rogers, president of Claflin College; Dr. Luns Richardson, president of Morris College; Dr. Leonard Dawson, president of Voorhees College; Dr. Curtis Bryan, president of Denmark Technical College; and Mr. Pernell Smith, dean of Clinton Junior College. I want to personally welcome each of you and thank you for taking the time out of your busy schedules to come here today.

Historically black colleges and universities have played an important role over the years in educating men and women of this Nation. Thousands of young Americans have received quality educations at the 107 historically black colleges and universities nationwide. We are fortunate to have 8 of these schools here in South Carolina.

Across this country, these institutions have a long history of providing the skills and training to enable young people to meet the challenges of a rapidly changing society. According to information from the Office of Civil Rights in the Department of Education, these institutions have provided an undergraduate education for three-fourths of all black persons holding doctoral degrees, three-fourths of all black officers in the armed forces, and fourth-fifths of all Federal judges. In addition, 60 percent of the black pharmacists, 40 percent of the black attorneys, and 50 percent of the black engineers have graduated from these schools.

For 9 years, it has been my privilege to sponsor legislation honoring the historically black colleges of our country. The bill this year, S.J. Res. 40, authorizes and requests the President to designate the week of September 8, 1991, through September 14, 1991, as "National Historically Black Colleges Week." In light of the contributions of these colleges to our Nation, it is fitting that there be such a designation.

As we prepare to hear from our witnesses, I am reminded of the many challenging issues Congress will be facing in reauthorization—general access to higher education, the proper balance between student loans and grants, the high student loan default rates, the general integrity of the guaranteed student loan pro-

gram, the role of profit-making proprietary trade schools, and the need to simplify the financial aid application process.

With these issues in mind, I look forward to hearing from each of our distinguished witnesses.

Dr. Nielsen, I am sure, will be here later. She has been held up.

We will go forward now with the first witness, and the first witness is Mr. Fred Sheheen, and we are very pleased to have him here.

Mr. Sheheen, you may proceed. We are honored to have you here.

STATEMENT OF FRED R. SHEHEEN, COMMISSIONER, SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION

Mr. SHEHEEN. Thank you, Senator.

We are immensely grateful to you for bringing this great field hearing to South Carolina. Most of us have an opportunity for input through our professional organizations in reauthorization in Washington, but I think it is a singular privilege to have you all come to South Carolina and permit South Carolinians to have this input on our own soil, in our own State, where we know we will be heard, Senator, so I think all of us are very grateful to you for doing that. It is a privilege.

May I acknowledge in the beginning my colleague, Dr. Robert Poch—Bob, if you would stand for a moment—who has been instrumental in assisting us in preparing for the hearing at the Commission on Higher Education Center, and I wanted you to know that.

Higher Education in our State, I think, is marked by a lot of promise and some fiscal uncertainty, the fiscal uncertainty coming from the lack of revenues that are occurring in South Carolina and in the country for all educationally governmental programs. But we are going to live through that fiscal uncertainty and continue to look to our institutions to enhance quality, Senator.

In 1988, we enacted legislation in the State, designed to enhance the quality of the institutions, Act 629 of the General Assembly, better known as the "cutting edge," and it provided a focus for statewide postsecondary educational improvement in the State, with a lot of new programs, grant programs, new institutional effectiveness programs, scholarships programs, research grants and other things at the State's initiative and at the State's expense.

In addition to that, Dr. Nielsen will tell you that we, jointly, the Commission on Higher Education and the State Board of Education and the State Superintendent, have formed a new collaborative council in South Carolina to bring together the elementary and secondary system in the higher education system, and a new cooperative posture, so I want you to know that is going on, too, to bring all of these educational elements together in our State to improve all of those things that you talked about in your opening remarks.

We are particularly proud of the Palmetto fellowship program, which makes grants of $5,000 per year available to the brightest students in the State, to retain them within the South Carolina State system.

We are also proud of the outstanding teaching award that is given to the Governor's professor of the year every year. It is a

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$5,000 stipend that goes to the professor of the year who is selected through a committee process, and the $5,000 grant is awarded by the Governor. Again, we are emphasizing excellence in teaching for undergraduates.

We are living through tough fiscal times, but at the same time we are doing a lot of interesting things in the State, actively assisting the effectiveness of general education in the State, majors or concentrations, the performance of our professional program graduates on licensing and certification exams, entry level skills, the academic performance of student athletes.

Now, Senator, you know that Congress enacted legislation on the academic performance of student athletes, the Student Right to Know Act. Well before the enactment by the Congress of that legislation, the Commission on Higher Education and the institutions in South Carolina had already embarked on a program for reporting on the academic performance of student athletes, so we were in the vanguard in the country on that.

We have a widespread program for minority students and faculty, trying to recruit additional minority students and faculty in the institutions of higher learning in the State, and an analysis of undergraduate retention and attrition.

Now, we have had some progress, not sufficient progress, but some progress in our access and equity program, which is our minority program. One indicator of progress with minority student access is an increase in the number of black undergraduate students enrolled in public colleges and universities in the State.

While the total undergraduate enrollment in public colleges and universities increased by 7 percent between the fall of 1988 and the fall of 1989, the total black undergraduate enrollment increased by 10 percent over the same period of time, from 18,653 in the fall of 1988 to 20,535 in the fall of 1989. We intend to continue that effort to bring minority citizens into the mainstream of higher education in South Carolina, not only among the student bodies, but also in the faculty and administrative ranks, Senator.

Now, one of the really critical issues for historically black institutions, as well as for minority students who are attending our traditionally white institutions, as well as for all of the families of South Carolina, is the financial assistance necessary to partake of higher education at all entry levels. State financial assistance programs only meet a portion of that need, and the Federal assistance programs made available through the Higher Education Act are very, very important ingredients to us.

At the State and at the national level, in the State Higher Education Executives Organization, we look very carefully at financial assistance, and we think, Senator, as you mentioned in your opening remarks, that is a critical element.

Now, we have 8 predominantly black institutions of higher learning, and all of them are represented here now, and we have given you statistics in our statement, which I will not repeat here, outlining the portion of undergraduate students enrolled in these institutions, and these predominantly black institutions clearly provide educational services to a significant portion of the State's college-going population.

In addition, they serve the State by providing such critically important functions as equal educational opportunity for black students, education for those who are economically disadvantaged, preparing black professionals for State and national service, and providing an educational environment that is supportive of black students and their culture.

These services are worthy of ongoing State and Federal recognition and support, but we have got to look at student aid, and the student aid policies which emerged in the 1980's threaten the affordability of higher education for minority students and also for many other families in South Carolina. These elements include soaring college costs which exceed the rate of inflation, and they have exceeded the rate of inflation in South Carolina substantially· an increase in the siphoning of Federal funds to proprietary vocational schools—as you know, a large part of the default problem exists in the proprietary vocational schools—and, critically, the emergence of loans, rather than grants, as the primary form of financial aid available to needy students. All three contribute to a student who is plagued with a high rate of default and who, in turn, strains the decreasing resources available.

Now, Senator, there is one key point I want to make on the financial end, and it is that the trend toward loans, rather than grants, which occurred in the 1980's, be reversed. I think all of us in South Carolina, and certainly the State Higher Executives Organization, of which I am a member, feel that the trend toward loans, which results in graduates carrying with them a heavy debt burden after they graduate from college, is inappropriate, and that the trend toward loans should be reversed and more money should be put into the Pell grant program, so that these people who come from families with modest income do not graduate from college with a heavy debt burden.

Because minority students are most likely to receive aid in the form of a loan, rather than a grant, the prospect of graduating with a debt of $10,000 or more, combined with lower-paying jobs, dissuades many potential students from pursing their degree.

The national trend of changes in Federal aid policies, grants to loans, is reflected in South Carolina, and I have provided you with statistics on what happened in South Carolina during the 1980's. We certainly would like to see that reversed, Senator, and I know it is a key issue in Washington.

Now, one of the key elements that I would like to request you to consider in reauthorization is expanding the funds for the improvement of postsecondary education. FIPSE is a very useful and exciting program for the colleges and universities in South Carolina and in the country. At the commission, we are particularly interested in revitalizing the undergraduate experience, and FIPSE is very useful for that. We make good use of the Fund for the Improvement of Postsecondary Education, which is one of the titles in the Higher Education Act, and we would like to see that substantially expanded.

We propose that the 1991 Reauthorization Act recast the Fund for the Improvement of Postsecondary Education, so as to focus this competitive grants program on innovative projects whose primary goals and objectives are to strengthen the education and

broaden the experiences of the Nation's undergraduates. We need more focus on undergraduate education. Both 2-year and 4-year public, and independent institutions would be eligible to apply for the funding.

We have outlined several expanded purposes for FIPSE, and I will only briefly mention them, and we have provided you a written explanation of them:

First, college/school transitions and collaborations—Dr. Nielsen probably will address that in her remarks—second, structural curriculum modifications. We think grants ought to be made available to reform the curriculum for undergraduate students; and, third, faculty development; the heart and soul of the university is the faculty, and we think the faculty should have more opportunities, fiscally subsidized, to improve their talent and their teaching abilities, and the integration of campus life to the educational process; that is, some kind of pioneering innovative experiences that link extracurricular programs to the main educational programs of the students.

What we are saying is that the funds for the improvement of postsecondary education should have a much larger allocation funds, Senator—there is a very modest appropriation in the FIPSE section—a much larger allocation of funds designed to improve undergraduate instruction and programming in the public and private colleges in the State.

I think my two key points are, one, reform the aid program, Senator, to reverse the trend from loans to grants, and, number two, expand substantially the fund for the improvement of postsecondary education, so that these colleges and universities can apply for innovative grants that will bring creativity to the curriculum, to the faculty, and to the programs for undergraduate students in the colleges and universities of South Carolina and the country.

I am indebted to you for the opportunity to make these brief remarks, Senator.

Senator THURMOND. We thank you very much.

I have a few questions for you. I want to commend you for the fine job you have been doing. I have heard from many people that you are doing an outstanding job.

Mr. SHEHEEN. Thank you, Senator.

Senator THURMOND. Commissioner, approximately what percentage of students attending higher education institutions in South Carolina receive Federal financial aid?

Mr. SHEHEEN. Let me get Dr. Pock on that. He brought those statistics with him.

Senator THURMOND. Any questions I ask you, if you do not have immediate answers, if you could furnish them to Mr. Talbert here—incidentally, Mr. Talbert is a staff member of the Labor and Human Resources Committee, and he does a fine job, he is an expert on all of these questions and he would be glad to work with you.

Mr. SHEHEEN. We will furnish that data. There is a table here in the paper showing the percentage that participated in each one of the programs, but it is not organized exactly as the way you asked the question, so we will provide those statistics for you.

Senator THURMOND. Thank you very much.

As has previously been mentioned, one of the frustrations for many parents and students is the amount of time and the amount of detail required to complete the financial aid applications required for receiving grants and loans. For Federal aid alone, an applicant can use one of six forms to apply, depending upon which particular form the school prefers.

After the form is completed, it is then sent to a processor who computes the amount a student or family is expected to pay toward the education, according to two formulas, one formula for the Pell grant program and one for Stafford loans and the campus-based programs, such as college work-study, Perkins' loans, and supplement educational opportunity grants.

After completing the Federal student financial aid application, a student is often required to submit additional information directly to the school or complete other application forms for the specific Federal programs. All in all, it is a complex process. Do you think the present application process discourages students and families from applying for aid, and, if so, do you have any recommendations on how the application process might be simplified?

Mr. SHEHEEN. There is no question about the fact that the paperwork burden is extraordinary and difficult and discourages many young people, particularly those who come from families that do not have a collegiate background and who cannot make their way through all of that paperwork, from either knowing about or applying for the financial aid.

Now, the State higher education executive officers have looked at that, and our suggestion is going to be that we have a single form for all aid programs, Senator, and that one single form contain all of the necessary information to qualify a student for all aid programs, and that a single determination of family financial ability be made for all programs, and then one form serve all programs and the judgments be made on the basis of the information on that one form, rather than the variety of forms we have now, because there is no question about the fact that, particularly for students who come from homes that are not familiar with the collegiate process, making their way through this paperwork jungle is very difficult—one single determination of family ability to pay also, so that is a key to it, one single form, one single determination of a family's ability to pay, and then use that to qualify them for the various programs.

Senator THURMOND. Commissioner, related to the second question is the fact that there are many different Federal student aid programs, each with its own qualifying criteria—Pell grants, Stafford loans, supplemental loans for students, PLUS loans, Perkins' loans, college work-study, supplementary educational opportunity grants, State student incentive grants, and income contingent direct loan programs. Do you think any of these programs should be consolidated, to make the process simpler and more streamlined for parents and students and others which you serve?

Mr. SHEHEEN. Yes. I think the Pell grant program, of course, continues to be the keystone. I think the loan programs could all be collapsed under the Stafford loan program. We have looked at the State student incentive grant program, and we question whether

that is still effective and generating the kind of match requirement that it was originally designed to do.

South Carolina, of course, puts in $800,000 for the student incentive grant program and gets $17 or $18 million, so we over-match about 10-to-1, and I think that the incentive grant program probably could be collapsed into one of the other programs.

It no longer serves the purpose of stimulating a State match, because most of the States far outmatch what the student incentive grant program requires, so I do think the student incentive grant program needs to be looked at carefully, as to whether it is still accomplishing the original goal, which was to stimulate a match from the States. Most of the States are far out-matching it now.

Senator THURMOND. One of the proposals in President Bush's fiscal year 1992 higher education budget would increase Pell grant funding to $5.8 billion, a $41 million increase over the fiscal year 1991 level. In addition, the maximum Pell grant award would rise to $3,700, from the current maximum of $2,400, and a new need analysis formula would be established, so that the majority of the funds would be targeted to families with incomes of less than $10,000. Would you share your opinion on this proposal in the targeting of Pell grants?

Mr. SHEHEEN. Yes, sir. I am deeply concerned about efforts among some of the professional educational associations in Washington to expand the family income limits into much higher levels, into the $50,000 and $60,000 level, and I think Pell grants ought to be for those students—pursuant to the logic in the President's program—the Pell grants ought to be restricted to those families who are especially needy.

There will be efforts made, I know, to extend the income levels up to the $50,000 family income range, and I am steadfast opposed to that. I think that program should be designed to give families with a modest economic means the wherewithal to attend college, and I do not think you ought to extend the Pell program family income limits to the upper levels of family income, simply to gain political support for it, and that is what I hear in Washington among the professional educational organizations. I thoroughly favor the approach of limiting Pell grant eligibility to families of modest incomes.

Senator THURMOND. Commissioner, as you may be aware, another proposal included in the education budget is $170 million for the Presidential Achievement Scholarships, which would provide awards of $500 to Pell grant recipients who excel in their studies. To receive an award in the freshman year, high school students must rank in the upper 10 percent of their class or score high on national standardized tests. Once in college, students must rank in the upper 20 percent of their class, to receive an award. Do you have any views on the linking of additional financial aid, in this case $500, to students' achievement in school?

Mr. SHEHEEN. Well, the twin goals of the financial aid programs, the two principal twin goals of the financial aid program in the States and in the country have been, one, economic need, and, two, academic merit. I will not talk about academic scholarships. But the basic thrust has been in most programs academic merit and economic need, and this marries both of those, Senator, so I think

it has a lot of constructive thought in it, to marry the two principal criteria that we use, economic aid with academic merit, so I think it is a creative idea and I certainly would be in favor of it.

Senator THURMOND. Commissioner, one of the big issues many Americans are concerned about today is the Federal debt, which is currently over $3 trillion. Under the guaranteed student loan program, default costs are at an all-time high, an estimated $2.9 billion for fiscal year 1991. These costs rank third in the expenditures of the Department of Education for any major program. Contributing to the current level of defaults are significant increases in the GSL annual loan volume and the amount of loans in repayment.

In addition, there has been a shift of borrowing by greater proportions of higher financial risk low-income students and students attending propriety for-profit trade schools. In your opinion, what should policy-makers do to bring about more accountability in the student loan program?

Mr. SHEHEEN. First of all, I think that standards have to be set for the traditional institutions, in terms of their default rates, and they should be warned that if they do not meet certain minimum standards, they will not be eligible to participate in the program. So, I thoroughly agree that we need minimum default rates, which I think the Federal Government is already looking at.

The President of South Carolina State College and I discussed this—and he will probably address it in his remarks—with respect to differentiated methods for following the student loans and the collection procedures, and I think we can improve that, and I will leave Dr. Smith to address that, as he did with me privately the other day. I think he has some constructive suggestions to make on a differentiated method for collections.

Third, with respect to the proprietary vocational schools, I think the principal problem has been in the licensing procedures that are inadequate. The South Carolina Legislature and the Governor are right now consolidating the licensing procedures in South Carolina under the Commission on Higher Education. That legislation has passed the Senate and is pending in the House of Representatives—it is pending in both Houses, and so we are going to consolidate our licensing function and we are going to draw more rigorous regulations for the licensing of proprietary schools in South Carolina.

One of the things that I want to inquire into, when we look at the whole program of licensing after it is consolidated under the commission, which is taking place right now, is whether we can use default rates as a criteria for licensing and for continuation of licensing. We have not looked at that, but I think we need to look at that.

Senator THURMOND. The last question I believe I have at this time is—over the past 2 years, there has been a fair amount of discussion in the education community of the concept of education savings accounts, which would be similar to individual retirement accounts.

Although another committee, the Finance Committee, would have jurisdiction of any changes in law to establish such an account, I am interested in your views on this matter.

Based on your involvement in higher education, do you think such a proposal would, in fact, result in a substantial number of families saving more than they currently do for college education?

Mr. SHEHEEN. Well, I favor individual savings accounts for college education. There is pending in the South Carolina Legislature a bill to set up a trust fund account, where all of the funds are pooled. I have some problems with that. I think an individual savings account earmarked for education with certain tax benefits would be good. I do caution, though, Senator, that establishing individual savings accounts for college education does not address the principal problem of need.

What we are concerned about are those families who cannot, from their own resources, afford a college education for their young people, and if we establish the individual education accounts, middle-class and upper-income people will take advantage of it and that will be fine, but I caution the Congress and I caution the State of South Carolina not to view that as a substitute for adequate financial aid, and I fear that sometimes when we do those things, we view them as a substitute for adequate financial aid, and that does not meet the need of the moderate- and low-income people, because they do not have the money to put in the savings account.

Senator THURMOND. Would you feel that both would be advisable?

Mr. SHEHEEN. Yes, sir, I think both would be advisable, but I again would say do not let the substitute for the individual savings accounts, which would have a tax benefit, I presume, do not let that subsidy be taken away from the Pell grant program and other programs that are designed to aid really needy families with moderate income.

Senator THURMOND. Commissioner Sheheen, I want to thank you very much for taking time to be here. I appreciate your responses to the questions, and I am sure the subcommittee will find your suggestions and recommendations very helpful, as reauthorization of the Higher Education Act moves forward.

Do you have any final thoughts or recommendations with respect to reauthorization?

Mr. SHEHEEN. No, Senator, except that we are all very excited about it at the national level. What we are saying is that we think the Congress ought to be very broad-minded and open-ended about it, and ought to entertain all kinds of creative thoughts for reauthorization to meet the challenges of the 1990's and the year 2000 in higher education, and not be restricted to the current titles. I think that the Congress ought to look at all the proposals that are coming out and not be restricted to the current titles.

Thank you very much. It is a privilege to be here, and I will remain with you during the morning, Senator.

Senator THURMOND. We thank you for your presence and we do appreciate your taking the time to remain here.

[The prepared statement of Mr. Sheheen follows:]

PREPARED STATEMENT OF MR. SHEHEEN

I. THE CURRENT STATUS OF SOUTH CAROLINA HIGHER EDUCATION

Higher Education in South Carolina is marked by great promise and fiscal uncertainty. Programatically, the State's higher education community has sought to enhance quality through a variety of initiatives including Act 629, better known as "The Cutting Edge" legislation, which was passed by the General Assembly in 1988 and provided a focus for statewide post secondary educational improvement. Moreover, new initiatives such as statewide educational collaboration between K-12 and higher education institutions will contribute to higher quality instruction and more effective communication among educators. While educational improvement and accountability hinge largely on commitment to excellence within each institution, adequate resources are also essential to produce positive change. Currently, South Carolina's 33 public institutions of higher learning continue to pursue positive and lasting change but do so with decreasing fiscal resources.

When first implemented, The Cutting Edge legislation enabled South Carolina higher education to pursue aggressively excellence for students, excellence in instruction and educational services, excellence in research for economic development, and ongoing improvement through planning and assessment. In striving for excellence for students, admissions standards are maintained by South Carolina institutions, not in an attempt to deny access to postsecondary education but to further ensure that students are prepared for college level work. The Palmetto Fellows Scholarship Program is in place to foster scholarship and academic achievement among the State's postsecondary students (in both public and private institutions) and to retain within South Carolina the State's most outstanding high school graduates through awards based upon scholarship and achievement. Moreover, each public college and university has directed attention toward retaining students through developmental education programs that provide instruction in content skill areas that are necessary for academic success in postsecondary education.

Other Cutting Edge Programs contributing to quality improvement in South Carolina higher education deserve, at minimum, brief mention. In past years, Cutting Edge funding enabled the Commission on Higher Education to administer a competitive grants program to improve undergraduate education. The program is available to all public and private nonproprietary colleges and universities that are accredited by the Commission on Colleges of the Southern Association of Colleges and Schools. The program fostered a healthy competition among institutions for grant money targeted for the improvement or evaluation of undergraduate education. During the first 2 years of the program, seven projects totalling more than half a million dollars were approved for funding.

Recognition of outstanding teaching remains a high priority in South Carolina through the Governor's Professor of the Year Program. Annually, the award is presented to a faculty member from a public or private college or university in South Carolina who has demonstrated "exceptional teaching." To date, three outstanding faculty members have received statewide recognition and awards of $5,000 through this Cutting Edge program.

Further efforts to attract and retain superior teachers at public senior institutions were made possible through the endowed professorships program. This program was created as part of The Cutting Edge initiative to establish over time 38 endowed professorships (6 at Clemson, 5 at the Medical University, 9 at the University of South Carolina-Columbia, and 2 each at the other 9 senior colleges). During each of the program's first 2 years of operation, $750,000 in State funding was set aside for endowed professorships. With severe reductions in State appropriations to higher education, this program and numerous others established to improve postsecondary education have been put on hold.

Despite reductions made in State appropriations for higher education, there remains some basis for optimism. For example, South Carolina colleges and universities are actively assessing their effectiveness in such areas as general education, majors or concentrations, the performance of professional program graduates on licensing and certification exams, entry level skills, the academic performance of student athletes, minority student and faculty access and equity, and the analysis of undergraduate retention and attrition. A statewide higher education planning process is in place that makes use of information generated through the institutional effectiveness process to create meaningful change in the educational programs and services of the State's colleges and universities. A central part of the planning process is the creation of a statewide strategic higher education planning document that is updated annually and sets forth in concise and specific language the direction in

which higher education must move to achieve meaningful and attainable goals. The first strategic statewide higher education planning document will be presented to the Commission on Higher Education for approval in July, 1991.

Among the efforts to improve the quality of South Carolina higher education and an important indicator of the status of postsecondary education in the State is the minority student and faculty access and equity program. One indicator of progress made with minority student access to South Carolina higher education is an increase in the number of black undergraduate students enrolled in public colleges and universities. While the total undergraduate enrollment in public colleges and universities increased by 7 percent between fall 1988 and fall 1989, the total black undergraduate enrollment in South Carolina increased by 10 percent over the same period of time (from 18,653 in fall 1988 to 20,535 in fall 1989, South Carolina Commission on Higher Education Annual Report 1989–1990, pp. 24, 28). While much remains to be done to improve minority student participation and graduation rates, the South Carolina Higher Education Program for Access and Equity is focused upon seven broad goals that serve to keep the noble endeavor of attaining full minority participation alive.

Specifically, the program is aimed at developing and maintaining institutional environments where cultural diversity and the presence of minorities are valued aspects of institutional life; achieving parity in black and white graduation rates at undergraduate professional and graduate levels; making additional progress in hiring minority faculty, professional staff, and other employees; encouraging the transfer of minority students from 2-year to baccalaureate degree granting institutions; addressing the financial needs and providing incentives for minority students by structuring and maintaining state aid programs for undergraduate, professional, and graduate students; addressing the problem of underrepresentation of black males in higher education in South Carolina; and, continuing to strengthen historically black colleges to ensure that they will be able to fulfill their missions as full partners in the higher education system and provide quality education programs (*South Carolina Higher Education Program for Access and Equity*, November 3, 1988, pp. 1, 2).

Central to the fulfillment of many of these goals is providing the financial assistance necessary for minority students to partake of higher education at all degree levels. State financial assistance programs can assist only a portion of those that are in need. Federal assistance programs made possible through the Higher Education Act are essential ingredients to attaining meaningful levels of financial aid that provide a broad pathway to the lifelong benefits of higher education. Important also, are the roles of the historically black institutions of higher learning and the continuation of their emerging role nationally and statewide. The following section outlines the general role of historically black colleges and universities in the State and nation with an emphasis upon the contributions, needs, and opportunities of those in South Carolina.

II. The Role of Historically Black Colleges in the State and Nation

> ". . . federal policy can only be meaningfully supportive of TBI's (traditionally black institutions) if it is based on a recognition that these institutions serve a higher purpose than simply providing a second choice for blacks when the presumed first choice, enrollment at traditionally white institutions, proves to be a myth." (Lorenzo Morris, *Elusive Equality: The Status of Black Americans in Higher Education*, 1979, p. 200).

Historically, the establishment of black colleges in the United States is a relatively recent event. While several historically black colleges existed prior to the Civil War and many others were founded during the difficult Era of Reconstruction, such colleges grew in number and status following passage of the second Morrill Act in 1890. Through the first Morrill Act of 1862, state land-grant colleges emerged for the purpose of teaching "such branches of learning as are related to agriculture and the mechanic arts." Progress did not come quickly for historically black colleges as the educational levels of black citizens remained low in the aftermath of systematic deprivation. An initial Federal government report on black secondary and higher schools listed but three black institutions as "college grade" in 1915 (*The Traditionally Black Institutions of Higher Learning: Their Development and Status, 1862–1982*, National Center for Education Statistics, Historical Report, March 1985, p. 2). However, a second Federal survey of black colleges produced twelve years later found 77 such colleges providing collegiate-level work in vocational training and teacher education.

Following the momentous 1954 United States Supreme Court decision in *Brown v. Board of Education* ending legal segregation, the educational and occupational opportunities for black citizens expanded, albeit slowly, and provided an impetus for historically black colleges to diversify and expand the degree programs they offered. By the early 1970's, not only did the number of degrees awarded at black colleges grow but so to did the number of disciplines in which the degrees were granted. According to the United States Department of Education's National Center for Education Statistics: "In 1972, the two most popular disciplines among TBI (traditionally black institutions) bachelor's degree recipients were education and social sciences. Since then, the number and percent of TBI degrees in these disciplines declined greatly, while degrees in business and management, engineering, and public affairs and services increased considerably" (NCES Historical Report, March 1985, p. 4).

The emergent role and development of historically black colleges as described above reflect largely the historical emergence of such colleges in South Carolina. The State has eight predominantly black institutions of higher learning; two are public institutions (South Carolina State College and Denmark Technical College) and the remaining six are privately owned (Allen University, Benedict College, Claflin College, Clinton Junior College, Morris College, and Voorhees College).

South Carolina State College is South Carolina's 1890 land-grant institution. In the fall of 1989, the College's black undergraduate enrollment was 4,041; 93.8 percent of the total undergraduate enrollment. The College continues in its service to the black citizenry of the State by maintaining its traditional focus on teacher education and providing undergraduate instruction that blends the liberal arts and vocational education. The College also offers graduate course work in teaching, educational administration, human services, and agribusiness.

Denmark Technical College began as The Denmark Area Trade School in 1948 and served primarily a black population. In 1979, the institution became Denmark Technical College and was fully accredited by the Southern Association of Colleges and Schools. The institution is one of sixteen technical colleges in the State and offers academic programs that lead to Associate in Arts and Associate in Science degrees. In 1989 the College had a headcount enrollment of 692 students, which sounds modest but in fact is significant given that the College is located in a rural town with a population of only 5,000.

The State's six private predominantly black institutions had a combined headcount enrollment of 8,703 in the fall of 1989. This figure accounted for approximately one third of the total headcount enrollment of South Carolina's private colleges and universities.

Clearly, South Carolina's predominantly black institutions provide educational services to a significant portion of the State's college-going population. In addition, these institutions serve the State by providing such critically important functions as equal educational opportunity for black students; educating those who are economically disadvantaged; preparing black professionals for state and national service; and providing an educational environment that is supportive of black students and their culture. These services are worthy of ongoing State and Federal recognition and support.

III. Federally Funded Financial Aid Issues

Three significant trends regarding federal student aid policies emerged during the 1980's, trends which particularly threaten the affordability of higher education for minority students. These include: 1) soaring college costs which exceed the rate of inflation; 2) an increase in the siphoning of federal funds toward proprietary vocational schools; and 3) the emergence of loans rather than grants as the primary form of financial aid available to needy students. All three contribute to a system plagued with a high rate of default which, in turn, strains the decreasing resources available.

Student loans, which include the Guaranteed Student Loan and Perkins loan programs, are only one of four types of aid provided by Title IV of the Higher Education Act. The other three consist of grants (Pell grants, Supplemental Opportunity Grants); work study programs, and fellowships.

The predominance of loans rather than grants greatly impacts low-income and minority students. Whereas 76d/ of federal aid in the mid-1970's was in the form of grants and 20 in loans, the percentage of grants during the 1987–1988 year dropped to 29 versus 67 awarded in the form of loans. According to a study by Margot A Schenet, Coordinator Education and Public Welfare Division, entitled "Higher Education: Reauthorization of the Higher Education Act."

> During the 1980's, loans replaced grants as the major source of Federal student aid, at the same time that aid eligibility was increasingly focused on lower-income students. Some argue that loans and the subsequent debt are unacceptable to some students, particularly disadvantaged and minority students for whom the aid was intended, which may affect their decisions to forgo postsecondary education.

According to that same study, the percentage of blacks enrolling in higher education institutions from 1980–1988 dropped from 9.2 percent to 8.7 percent nationwide, in spite of increased enrollment of minorities in general by over 2 percent. Similarly, while the overall number of minority students increased by 23 percent during the same period, the number of black students increased by only 2 percent; most of the gains were in the Hispanic and Asian population.

Because minority students are most likely to receive aid in the form of a loan rather than a grant, the prospect of graduating with a debt of $10,000 or more combined with lower paying job offers dissuades many potential students from pursuing a degree. Many join the military instead, preferring a regular paycheck to a loan repayment schedule. Others join the growing ranks of students who default on their loans, ruining their credit rating in the process.

According to Schenet:

> "Some analysts posit that minority access to post secondary education and degree completion rates stagnated, or declined, over the past decade because of the shift in title IV financial aid from a reliance primarily on grants to a mixture of grants and loans. It is argued that loans are not attractive to disadvantaged minority students and, thus, the shift to more use of loan aid by the Federal Government discouraged minority students from pursuing the full range of postsecondary education options, directed some to proprietary schools, and caused others to forego any postsecondary education."

The national trends of changes in federal aid policies is reflected in the state of South Carolina as well, which relies heavily on federal funding for student assistance. During 1985–1987, federal programs were the primary source of student aid in South Carolina institutions including technical colleges and public and private colleges and universities. Most of this aid was in the form of Pell grants and Stafford loans. The following table (condensed) appears in a study of financial aid in South Carolina by A. Robert Thoeny submitted in 1989 to the South Carolina Commission on Higher Education:

Percentage of Enrolled Students in South Carolina Receiving Aid

Average Award in Dollars by Program, 1987–1988

Program	Percent	Public C. & U. Award	Percent	Tech. Coll. Award	Percent	Private C. & U. Award
Federal:						
Pell	21	1365	26	807	37	1469
SEOG	5	497	6	367	18	651
Perkins	5	1173	0	1271	12	1196
CWS	5	908	6	1001	27	703
Stafford	23	3904	8	1565	35	2034
State Grants	0	0	0	0	40	2125

Thoeny notes that:

> "Some South Carolina institutions, notably the state's private colleges which have historically served minorities, have done quite well in obtaining this funding (SEOG Supplemental Educational Opportunity Grant Program, CWS College Work-Study, and Perkins programs) which is targeted toward the economically disadvantaged."

There is more participation in the Pell, CWS, SEOG, and Perkins Loan programs in South Carolina compared to the rest of the nation, due to both the large minority population and the existence of historically black private colleges serving minority students. South Carolina provides exceptional support to needy students attending private schools, and ranks in the top two nationwide in terms of the percent of per-

sonal per capita income for students enrolled in private institutions. All but two historically black higher education institutions in South Carolina are private.

Financial aid available to students attending public colleges and universities in South Carolina, however, is limited. It is the only state in the nation which does not provide need-based gift aid derived from public funds to students attending public institutions. The lack of state funded financial aid indicates that the cost of attending public institutions should be kept low in order to afford students greater opportunities. However, the reverse is true. Except for the technical colleges, the cost of tuition and fees in South Carolina public higher education institutions is high compared with regional and national averages. As a result, though the current financial aid system provides support for students attending private schools, it fails to afford needy students access to public institutions.

IV. Recommendations Regarding Reauthorization of the Higher Education Act

It may well be, as H. G. Wells remarked, that "human history becomes more and more a race between education and catastrophe." Certainly it is imperative that the 1991 reauthorization of the Higher Education Act focus in substantive ways on the new challenges that lie ahead of us in revitalizing the undergraduate experience for the next decade. This revitalization is already underway in many quarters, but if momentum is to be sustained, the Federal Government must act, in conjunction with the States, on our belief that the strengthening of undergraduate education in all its components is essential to the economic, social, cultural and political well being of the United States.

We propose that the 1991 Reauthorization Act recast the Fund for the Improvement of Postsecondary Education (FIPSE, Title X, Part A, Reauthorization of the Higher Education Act of 1965) so as to focus this competitive grants program on innovative projects whose primary goals and objectives are to strengthen the education and broaden the experiences of the nation's undergraduates. Both 2- and 4-year public and independent institutions would be eligible to apply for funding.

According to a myriad of critics and observers, the failings of the colleges and universities are numerous. These range from curricular disintegration and fragmentation (Bennett, 1984), to preoccupation with narrow specialization (Bennett, 1984), to reliance on a marketplace philosophy and a supermarket curriculum (*Integrity in the College Curriculum*, 1985), to failure to do more than credential students as opposed to providing a quality education (Boyer, 1986), to rampant confusion, disagreement, and divided loyalties among the various campus constituencies (Boyer, 1986). So pervasive are the problems, according to one source, that "the nation's colleges and universities now face unprecedented challenges that derive from an overall mismatch between the educational needs of the nation and current practice in undergraduate education" (ECS: *Transforming the State Role in Undergraduate Education*, 1986).

To facilitate the risk-taking, experimentation, innovation, and restructuring that is necessary to modify current practices in undergraduate education, we propose that the FIPSE grants program to improve undergraduate education be organized around four broad topics as follows:

1. *School/College Transitions and Collaborations:* The path from school to college is often filled with many obstacles for students, parents, counselors, and admissions officers. Collaborations and partnerships among schools and colleges and among 2- and 4-year institutions should be forged to facilitate travel down the road towards a baccalaureate degree. Such programs might bring schools and colleges together to identify cooperatively the communication and computational skills and other competencies required for success in college; to develop ways to direct the attention of all and not just the "above average" high school students to college standards and disseminate effectively information related to college traits, programs, admission procedures, and financial aid; to develop feedback systems pertaining to the collegiate performance of beginning students; to implement early intervention or assessment programs to test college readiness of prospective students and to remediate at-risk students; to implement support systems, networks, feedback, program recruitment and career counseling opportunities and follow-up mechanisms for transfer students from junior to senior institutions; and to establish mentoring programs to increase contact among secondary students and college faculty.

Programs designed to facilitate the transition between school and college or between junior and senior institutions so as to increase college-going rates, reduce attrition rates, and increase students' potential for academic achievement would be appropriate proposal submissions in this category.

2. *Structural Curriculum Modifications:* If the cafeteria style curriculum, that traditional smorgasbord of course selection, is rejected as being too fragmented, needlessly specialized, incoherent, or just plain illogical, the curricular alternatives are not as of yet very well defined. Different curricular configurations and innovative structural approaches need to be explored which draw on what we know constitutes effective teaching and which enhance coherence of learning. Curricula need to be redesigned so as to engage students more actively in the educational process and to rely more on cooperative collaborative efforts, less on competition. Delivery systems that rely on large lecture classes, passive learning settings, and traditional grades need to be reevaluated and transformed into active systems that allow for diversity of learners' styles.

Delivering the curricula in new ways needs to be explored, particularly with respect to accommodating our increasing technological capabilities, the growing diversity of students, the increasing numbers of non-traditional students, and the persistent under-representation of Blacks, Hispanics, and Native Americans in postsecondary institutions. Strengthening of the curricula needs to be accomplished by incorporating global perspectives, including the ideas and materials of non-Western cultures; by integrating internships, cooperative education, and community service programs into the undergraduate experience; by establishing faculty-student research, or other programs through which to increase faculty-student contact. The reorganization of academic majors and general education or core requirements around themes, issues, methodologies, or other organizing strategies rather than around traditional academic departments also needs to be explored. So does the creation of learning communities centered around specific intellectual themes or tasks.

Proposals to make major structural, organizational, and content changes in the curriculum so as to enhance academic achievement and improve the quality of the undergraduate experience would be appropriate submissions in this category.

3. *Faculty Development:* The faculty are the steering and wheels of any learning improvement vehicle; they can also be its brakes. Their values, their vested interests, their reward systems and their skills and training must be consistent with our goals and objectives to strengthen the quality of undergraduate education. In short, if undergraduate education is to be improved, it is imperative that faculty reward systems must be restructured so that good teaching and advising of undergraduates is of central importance. The reward system must also recognize contributions to curricular reform and to the development or identification of skills and knowledge that have a direct effect on teaching. Faculty development programs need to be established which help undergraduate teachers to implement "active" as opposed to "passive" teaching methodologies and to accommodate the different learning styles of an increasingly diverse student population. Training programs for part-time faculty and for teaching assistants need to be developed which would integrate these groups into the life of the institution and ensure quality in the classroom comparable to that expected of the tenure-track faculty. Exploration of broader structural changes that would involve faculty more deeply in the academic lives of new students is needed. A meaningful reward structure for innovative teaching is essential as is a method for disseminating successful techniques and incorporating them across disciplines and departments.

Proposals which seek to involve major segments of the faculty in creative ways of improving instruction, increasing contact hours with students both in and out of the classroom, and in implementing reward systems that recognize contributions to undergraduate teaching would be appropriate submissions in this category.

4. *Integration of Campus Life with the Educational Process:* Alexander Astin, Ernest Boyer and many others have observed for a number of years that the undergraduate experience extends far beyond the campus classrooms, libraries, and laboratories. Involvement in extracurricular activities has been shown to have a direct relationship on retention and persistence rates. The breadth, depth, and scope of these activities directly affects the "chill factor" students experience on particular campuses. But such activities should be structurally and organizationally linked to the academic experience for maximum effect. The ideal "community of learners" should extend logically and explicitly from the classroom to external places, persons, and activities as part of a holistic approach to education.

Maximizing student involvement in extracurricular programs, activities, and other facets 'of campus life and linking those experiences to the curriculum provides a window of opportunity to involve students in community and public service programs as an integral dimension of the undergraduate experience. Increasing student involvement requires careful revision of college goals and objectives with respect to desired student outcomes that cut across academic, social, cultural, and political boundaries. Perhaps the greatest challenge in the integration of the several facets of

campus life is the imperative to involve those students for whom involvement is the most difficult, the non-traditional, commuter, or at-risk students who lack the skills, resources, or motivation to take advantage of the extension of the educational process into realms beyond the lecture hall.

Proposals which develop integral links between the academic endeavors of students and the campus activities outside the classroom in order to deepen and enrich the undergraduate experience and which intensify student and faculty involvement in the campus community would be appropriate topics for submission in this category.

Senator THURMOND. Now we will proceed with the witnesses. First is Dr. Albert Smith, president of South Carolina State College. I have to leave here at 1 o'clock today and I think we are going to have to limit the presentations to about 7 or 8 minutes. You turn over your whole statement to us, and we will put it in the record, your entire statement will go in the record, but just take about 7 or 8 minutes.

You have 7 minutes, Dr. Smith. We are delighted to have you here. We appreciate your good work.

STATEMENTS OF DR. ALBERT E. SMITH, PRESIDENT, SOUTH CAROLINA STATE COLLEGE; DR. COLLIE COLEMAN, PRESIDENT, ALLEN UNIVERSITY; DR. RUBY W. WATTS, VICE PRESIDENT FOR ACADEMIC AFFAIRS, BENEDICT COLLEGE; DR. OSCAR ALLEN ROGERS, PRESIDENT, CLAFLIN COLLEGE; DR. LEONARD DAWSON, PRESIDENT, VOORHEES COLLEGE; DR. CURTIS BRYAN, PRESIDENT, DENMARK TECHNICAL COLLEGE; DR. LUNS C. RICHARDSON, MORRIS COLLEGE; AND PERNELL SMITH, DEAN, CLINTON JUNIOR COLLEGE

Mr. SMITH. Thank you, Senator.

We are delighted to have this opportunity to testify this morning on such an important and such a sensitive issue, and we are delighted always to have you here on our campus with us.

Senator THURMOND. Thank you.

Mr. SMITH. Let me begin my testimony by saying that the enrollment here at South Carolina State College has increased by approximately 29 percent over the past 5 years, moving from approximately 3,800 in 1986 to right around 5,000 in the fall of 1990. Likewise, the institution has seen the SAT scores of entering freshmen increase, and we are very proud of that.

Ninety percent of the students at South Carolina State College receive some type of financial assistance. More specifically, in 1989–90, South Carolina State College was able to assist 2,685 students through its Pell grant program. Pell grant awards to South Carolina State College students totaled $4,459,504; 2,070 students received financial assistance from federally-funded loan programs. Total assistance from these loan programs amounted to $4,083,012. In addition, another 367 students were awarded $327,706 through the college work-study program.

Additionally, South Carolina State College received a title III grant of $1,347,733. This grant funded some 15 activities last year. Also, the TRIO programs received $119,173, which served another 200 disadvantaged students. This represents an infusion of over $10 million Federal dollars targeted to low-income, disadvantaged and, in many instances, first-generation college students.

Without these Federal funds, these students would never be able to enjoy the advantages of receiving a quality education.

Therefore, on behalf of South Carolina State College and the other historically black colleges and universities here in the State of South Carolina, I will be addressing the impact of the reauthorization of the Higher Education Act on the following three programs:

(1) Federal student aid, which provides grants and loans; (2) the title III program, which is the largest institutional aid program that assists institutions in establishing and strengthening their physical plants, academic resources and student services; and (3) the TRIO programs, which provide the basic educational and support services that low-income first-generation students need, in order to discover and realize their aspirations.

I offer the following recommendations:

First, that the Pell grant award be increased to $4,000. This would help to address the imbalance between loans and grants. As it stands now, the Pell grant award level of $2,400 does not fully meet the needs of our Nation's disadvantaged students.

Second, it is very important that the interest rate for the Perkins loan remain at 5 percent per annum. The Perkins loan is an institutional-based program that enables the institution to maximize loan funds that are available.

Third, I support the proposal of the Department of Education that encourages institutions to use the electronic data exchange. The electronic data exchange offers institutions quicker processing of financial aid documents. The processing time of financial aid documents generally takes from 6 to 8 weeks from date of submission. However, with electronic data exchange, the documents can be received and processed within 48 to 72 hours. This early eligibility establishment will allow institutions to disburse funds immediately to student recipients. This action can also help institutions to avoid serious cash flow problems.

Fourth, institutions are only allowed to transfer 10 percent of this Federal allocation between the supplemental education opportunity grant and the college work-study program. I am recommending that institutions be allowed to transfer up to 25 percent of new Federal dollars among these campus-based programs.

Now, under title III programs, we are making the following recommendations:

First, that the part B floor minimum grant be increased from $350,000 to $500,000. This increase would provide a minimum level of funding for 15 part B smaller historically black colleges and universities.

Second, that the Bush administration's proposal to establish a set-aside of $20 million be enacted for historically black colleges in the part C challenge, which is the endowment grant program, with a part C authorization of $75 million for fiscal year 1993. This enactment would increase the part C authorization from $20,000 to $75,000 per institution, and create a separate $20,000 authorization for part B institutions participating in part C.

Third, presently, section 326 provides eligibility for 5 historically black graduate and professional schools, which consists of Clark Atlanta University, Tuskegee University School of Veterinary Medi-

cine, the Morehouse School of Medicine, the Meharry School of Medicine, and the Charles R. Drew Postgraduate School of Medicine. The approval of 326 will provide funding for 5 additional historically black college and university graduate/professional schools, and those institutions include the Xavier University School of Pharmacy, the Southern University School of Law, the Texas Southern University Thurgood Marshall School of Law, the Florida A&M University School of Pharmaceutical Science, and the North Carolina Central University School of Law.

Fourth, we would request that institutions be permitted to implement activities approved by the Secretary as part of their section 323 application, which contributes significantly to carrying out the overall purposes of part B. This would provide increased flexibility in the use of part B funds, by permitting activities which contribute to the overall purposes of the program, but are not specifically authorized.

With respect to the TRIO programs, we recommend that the present legislation be amended to require the Secretary to use 80 percent of any amount appropriated above current services level to bring all grants to the level requested by the institution or a base grant level of no less than $300,000, whichever, incidentally, is lower. This will enable these programs to reach a larger percentage of at-risk students. For example, talent search programs serve less than 10 percent of students eligible for TRIO services, despite their proven success rate.

Finally—and this relates to what Commissioner Sheheen and I talked about—finally, I am recommending the establishment of a special national student loan collection agency. This agency would be responsible for collecting all outstanding student loans.

Under this program, every employer would be responsible for providing the national security loan collection agency with the names and Social Security numbers of all employees. The national student loan collection agency would be responsible for identifying all employees who have outstanding student loan indebtedness. Once this information is received, each employer would be responsible for collecting the outstanding student loans of their respective employees through regular payroll deduction.

This Federal policy would apply to all employers and would result in appropriate fines and penalties, when not enforced. I am convinced that this approach for handling student loan indebtedness would prove to be far superior to requiring the colleges and universities to assume this burdensome task. The colleges and universities are not equipped to handle this responsibility, which is most important to the continuation of the Federal student aid/loan program.

Mr. Chairman, I want to thank you for inviting me to testify on this important issue, the reauthorization of the Higher Education Act, which is so vitally important to disadvantaged students desirous of acquiring a college education.

I want to conclude my testimony with a quote taken from my inaugural address of February 28, 1987, and that quote is, as follows: "We must never allow the acquisition of an education to become a luxury that is available to only a privileged few."

Mr. Chairman, I thank you very much for providing me with this opportunity.

Senator THURMOND. Thank you very much.

I am a little concerned about the time. You went over a couple of minutes. If the rest of you could hold it to 7 minutes, I wish you would do it. In fact, if you want to State that you agree with so-and-so's statement, and if you do not agree with any of them, do not hesitate to express yourselves, but I have got to leave here at 1:00 o'clock and I want to be sure we get through.

Thank you very much, Dr. Smith. We thank you again for your courtesy and assistance here.

Mr. SMITH. Thank you.

Senator THURMOND. Our next speaker is Dr. Collie Coleman, president of Allen University.

Mr. COLEMAN. Senator Thurmond, Bishop James, chairman of our board, asks that we express his pleasure in holding these hearings in the State of South Carolina and for inviting us to be a part of them. We will try to hold to the 6-minute limit.

I want to say that I do agree with the Commissioner and his comments, and also with Dr. Smith, president of South Carolina State College.

Historically black colleges and universities are, in many respects, the unsung heroes of American higher education. HBCU's do much with little. This feat of doing much with little over the years has created what is believed to be an unintended Catch 22 situation. That Catch 22 scenario is a subtle self-perpetuating idea among many, that these miracle-making institutions (HBCU's) can continue to do much with less.

Notwithstanding this dilemma, HBCU's continue to hold their own among the topology of American institutions of higher education. Increased funding is necessary. The mechanism for HBCU's to take advantage of those competitive grants, the staffing necessary for them to support and to participate is essential.

Allen University, for example, a 121-year-old HBCU, is perhaps an unwilling model of this do-much-with-little ideal, and this ideal plagues HBCU's, in general. The narrative which follows is, I believe, both revealing and instructive.

First, on the current DOE programs, Allen University, which is included in the statistics of graduating persons for the professional schools, including 7 college presidents, is involved in just one education program other than the student aid programs. That one program is the special services for disadvantaged students. The institution's participation in the program covers 7 years. The total funding, though, through that 7-year participation is less than $650,000. Yet, by mission, Allen University focuses on and is committed to developmental education.

To comment about the TRIO programs, there are many benefits from these programs, and those benefits are significant. Student skills have been enhanced in reading and writing, and self-concepts have also been strengthened. Without the continuation of these programs with increased funding levels, those students who are productive, contributing members to society could very well be on the welfare rolls.

I would just like to take a minute to say that my personal affiliation with Upward Bound dates back to 1970, at the University of North Carolina. I myself would have been an Upward Bound student. That program perhaps does more with less than any of the other programs, and I certainly would like to emphasize that the continued funding for those programs, special services, talent search and EOC Upward Bound, would do much to enhance the continuation of our students in the higher education mainstream.

I would like to conclude my comments by saying that we believe that the recommendations submitted by Dr. Smith—we are certainly in agreement with those, and we certainly would hope that the committee would take those seriously in making its final recommendations.

Thank you.

Senator THURMOND. Thank you very much, Dr. Coleman. We are very pleased to have you with us.

Mr. COLEMAN. Thank you.

[The prepared statement of Mr. Coleman follows:]

PREPARED STATEMENT OF MR. COLEMAN

Senator Thurmond and colleagues here assembled. Good Morning. I am pleased to be invited to participate in this field hearing in regards to the Re-Authorization of the Higher Education Act.

Bishop F. C. James, Chairman of the Allen University Board of Trustees, sends his greetings and expressions of appreciation to you for your leadership in bringing this most welcomed and important hearing to South Carolina.

I will comment on the following:

—The Important Role of HBCU's
—The Impact of Current DOE Programs on HBCU's
—The Benefits Received From the Programs at HBCU's
—My Personal and Professional Shared Background With the TRIO Programs
—Specific Suggestions and Recommendations

I. ROLE OF HBCU'S

HBCU's are, in many respects, the unsung heroes of American Higher Education. HBCU's do much with little.

This feat (doing much with little) over the years has created what many in higher education believe to be an un-intended Catch-22 situation. That Catch-22 scenario is a subtle, self-perpetuating idea among some that these miracle-making institutions (HBCU's) can continue to do much with little or less.

Notwithstanding this dilemma, HBCU's continue to hold their own among the topology of American institutions of higher education.

With this in mind, I support the following:

—Increasing, under the title III program, the minimum level of funding under part B from $350,000 to $500,000.
—Providing maximum flexibility, within the title III funding, to enable smaller developing institutions, such as Allen University, to propose activities which will best serve them in becoming increasingly more self-sufficient. This flexibility might include support (funding) for sorely needed expert staff required to maximize grant funding in support of critical institutional developmental and operating needs.
—Shifting the emphasis away from loans to increased grant, entitlement student aid, in general, and for freshmen and sophomore students, in particular.

Allen University, a 121 year old HBCU is, perhaps, an unwilling model of this "do much with little" illness which plaques HBCU's in general.

The narrative which follows is, I believe, both revealing and instructive.

II. Current DOE Programs

Allen University is involved in just one DOE program other than the Title IV, Student Financial Aid Programs, i.e. Pell grant, SEOG, CWS. This one program is Special Services for Disadvantaged Students (Student Support Services) Program.

Each currently funded program, in general, and at Allen University specifically, is working well and should be continued at an increased level of support.

The college's (Allen University's) participation in the program covers 7 years. The total funds through the program is less than $650,000.

1980–85—$75,000
1985–86—$80,000
1986–87—$85,000
1987–88—$101,000
1988–89—$106,000
1989–90—$96,000
1990–91—$100,000
—$433,000

Increased funding of these programs is urged at a level to compensate, in part, with inflation and the increased cost of doing educational business which attends each of these programs.

III. Benefits from the Title III and Title IV Programs

The benefit from the programs is significant. Student skills have been enhanced in Reading, math, English, Writing. Self-concepts have been strengthened. Institutional development has been significantly strengthened through support from these programs.

IV. Share Background with TRIO

I would have been an Upward Bound Student and Spaulding High School in Spring Hope, NC. In fact, my professional experience with TRIO programs dates back to 1970 at the University of North Carolina where I served as the first minority or African-American Director of the Upward Bound Program. Overall, my experiences with Upward Bound, Talent Search, Special Services, EOC's include the following:

—Upward Bound Director at UNC, 1970–72
—TRIO Program Officer, Atlanta Regional Office, 1972–77
—TRIO Program Officer, Washington, DC, U.S. Department of Education, 1978
—Title IV Program Officer, Washington, DC, U.S. Department of Education, 1979–80
—Trainer (Facilitator of Special Programs Personnel with ETS, Marquette, Howard University 1980–1987)
—Consultant for Title III Impact Student, Research Triangle Institute, 1982–84

By mission, Allen University focuses on and is committed to developmental education. The funding of Special Services, though meager, has had a positive impact on this small, private Historically Black College.

V. Recommendations

Given these intimate, first-hand experience with and involvement with the programs referenced herein—and, as a College President since 1984—I made the following recommendations, suggestions and comments regarding Reauthorization of the Higher Education Act:

—Re-visit and re-examine the current strategies utilized to address the serious default rate on loans. The actual dollar level of the loans may be a better indicator of the extent of the problem than the percentage of students in default. Further, the current practice of penalizing colleges and universities for student failure to re-pay loan require more careful study and reconsideration.
—Change the eligibility for participation in title III from accreditation for 5-year to candidacy status for 2 years.
—Consider the establishment of a national agency to assist with the collection of default loan with key input from the higher education community, including representation from all types of Historically Black Colleges and University.

Finally, I go on record as supporting the recommendations of the Education Association in regards to the Reauthorization of the Higher Education Act, in general, and the proposed changes to the Student Aid Programs, in particular.

Senator THURMOND. Next is Dr. Ruby Watts, vice president for Academic Affairs, Benedict College.

Mr. Watts, we are glad to have you.

Mr. WATTS. Thank you very much. Thank you, Senator, for inviting Benedict College to be present at this hearing. Dr. Grigsby sends his regards and he sends me to represent Benedict College this morning.

Without question, historically black colleges and universities or HBCU's play a role of critical positive significance in our State and Nation.

In my written report, I have included a number of statements from authorities in the field of education and other fields attesting to the role that historically black colleges and universities have played in this country.

Statistics show that HBCU's produce 50 percent of black business executives, 50 percent of black engineers, 75 percent of black military officers, 80 percent of black Federal judges, 85 percent of black physicians, and the list could go on. These are statistics with which we are familiar.

Studies have shown also that HBCU's are more likely than majority institutions to provide an environment in which the Africa-American students can achieve to their optimal capacity, and we can document that from a number of sources, as well.

One person has stated that attending a black college or university stimulates personal growth, self-exploration and positive self-esteem. These facts and observations attest to the role of HBCU's in the Nation and the State at-large.

The best way for me to address more specifically the role of these institutions is to talk about the kinds of things that Benedict College is involved in at the State and national level, and just a couple of these are, as follows:

The college has engaged in a contract with the South Carolina Department of Social Services to provide course work leading to the bachelor of social work degree for DSS employees who need such work for professional certification and job advancement. This program is in existence now and we have graduated 9 persons from the program, and currently we have 24 persons involved in the program.

Another one that I want to mention is in response to the shortage of teachers in the State and the Nation. We have two programs in effect now, the MATE program, Minority Access to Teacher Education program, and the Armed Forces Teacher Education for Retirees, what we call the AFTER program. So, we can substantiate over and over again that HBCU's play a very significant role in the State and Nation.

In regards to financial aid and its impact on Benedict College, we know that a large majority of students at HBCU's receive financial aid. A recent UNCF publication asserts that 91 percent of all students at the UNCF schools received some form of financial aid in 1988–89.

That report also reflects on the fact that there is a shift from grants to more loans, and that with so many students coming from extremely low-income families, adequate financial aid is crucial to their ability to stay in college, and that the emphasis on loans has

some impact on students' access to college, because some of these students and their families are not willing to take on the loan burden in order for their young people to go to school.

In regards to the TRIO and title III programs, we can document again and again, also, that the TRIO programs have been successful across this country and on our individual campuses, and I have included in my report this documentation.

Currently, Upward Bound programs or a current review of TRIO programs shows the following: Upward Bound programs are currently enrolling close to 50,000 students in 502 projects at institutions of higher learning. Talent Search programs currently are serving 260,000 students in 177 programs. The BOG programs are currently serving approximately 112,000 clients at 40 sites.

Now, Benedict College has had an Upward Bound program since 1973. In its 17-year tenure, the program has been funded for a total of 1,020 students, but it has actually served 1,286 students. Of the 269 Benedict College Upward Bound students who graduated from high school, 79 percent are known to have enrolled in college, and 75 percent of these have remained in college, and this is an admirable retention rate for these students, which exceeds the usual retention rate.

Title III programs have played a critical role at Benedict College, as well. We have a number of benefits that we have had from the title III program. We have used our title III to develop an honors program that has gained recognition at the campus, regional and national levels. We have developed a comprehensive faculty development program. We have developed two new programs and accompanying facilities, the environmental health science program and the office systems management program, to address in the local and State community, and the list could go on.

I endorse the recommendations that have been made earlier from our colleagues, and I will not repeat any that they have offered already.

One that I would like to present concerning the TRIO programs is this one, that funding for TRIO programs should be increased and the current procedure for awarding grants should be maintained. Estimates show that these programs are successful, but that less than 10 percent of eligible students are being served, due to lack of funding. Consolidation of these programs and shifting the granting of awards to the States would very likely deprive small institutions of each equal access to the funding. TRIO programs have proven their worth in their present configuration, and shifting the funding base to the States would endanger the infrastructure that is the basis of the success of these programs.

I think my time is about up.

Senator THURMOND. Thank you, doctor. We appreciate your presence and the suggestions you made.

Mr. WATTS. Thank you very much.

[The prepared statement of Mr. Watts follows:]

Prepared Statement of Mr. Watts

General Role of Historically Black Colleges and Universities in the State and the Nation

Without question, Historically Black Colleges and Universities, hereafter referred to as "HBCU's," play a role of critical positive significance in our nation and our state. They have supplied the states and the nation with well educated and well trained, productive, and innovative workers, leaders, and citizens in all professions and walks of life. This assertion is supported by the assessments and findings of numerous authorities in various areas of higher education. For example, Roland C. McConnell, Professor Emeritus of History at Morgan State University, writes that:

> Prior to the Brown decision of 1954, these universities and colleges, some one hundred more or less located in the states where legal segregation was practiced and the bulk of the Afro-American population resided with one or two in Ohio and Pennsylvania, were responsible for the education and training of the vast majority of Afro-American ministers, physicians, dentists, pharmacists, lawyers, teachers, and leaders in other fields and vocations. The fact that by 1930, slightly over four-fifths of the Afro-Americans living in the South ten years of age and older were literate is a testimony of the work wrought by teachers trained in these black institutions of higher learning.
>
> In 1981, these Afro-American universities and colleges conferred over one half of the bachelor's degrees earned by Afro-American students in the nineteen states and the District of Columbia where the institutions are located. These institutions of higher learning produced more black baccalaureates in engineering, computer science, mathematics, the biological and physical sciences and business management than the other 673 institutions in these states ("Educating America: Black Universities and Colleges—Strengths and Crises").

Dr. Leon Howard, president of Alabama State University, writes that "For generations, HBCU's have been repositories of African-American culture, research, development, and progressive thinking and positive change. The HBCU has always served as an African-American brain trust" ("Educating America: Black Universities and Colleges—Strengths and Crises").

Statistics show that HBCU's "have produced 50 percent of black business executives, 50 percent of black engineers, 75 percent of black military officers, 80 percent of black federal judges, 85 percent of black physicians, and 40 percent of all members of the U.S. Congress" (Dr. Luns C. Richardson, "Educating America: Black Universities and Colleges—Strengths and Crises," 1991).

Dr. Jimmy R. Jenkins, Chancellor of Elizabeth City State University, observes that today:

> Most HBCU's . . . are first rate, fully accredited, state supported institutions of higher learning; They have become one of the greatest legacies of America. . . . These institutions with their unique missions have survived. Their records are admirable. Their strength is their graduates. While eighty percent (80 percent) of African-Americans attend predominantly white institutions, HBCU's graduate more than fifty percent (50 percent) of all Black college graduates. More than sixty percent (60 percent) of all African-Americans going on for graduate and professional degrees, come from historically Black institutions. These institutions have served America well" ("Educating America: Black-Universities and Colleges-Strengths and Crises").

A recent United Negro College Fund publication states the essence of the importance of HBCU's in this way:

> For 150 years, historically black colleges have been the only institutions in America specifically dedicated to providing opportunities for black men and women to enter college and succeed there. These institutions enroll approximately 35 percent of all black students in 4-year colleges and graduate about 40 percent of all blacks earning bachelor's degrees in the U.S. On the basis of information from the U.S. Department of Labor, by the turn of the century more than one-third of the new entrants into the American labor force will be minorities, of which over half will be black. A majority of new jobs these workers will fill will require postsecondary education. Historically black colleges are singularly well-equipped to provide educational opportunities for this emerging work force.

Studies have shown that HBCU's are more likely than are majority institutions to provide an environment in which African-American students can achieve to their optimal capacity. Jacqueline Fleming in her study that resulted in the widely publicized book *Blacks in College* (Jossey Bass, 1984), found that black colleges are clearly superior to their white counterparts in providing an environment of acceptance and support that encourages black students to develop and achieve during their critical developmental years.

Dr. Judy Lynn Mitchell asserts further that:

> . . . (HBCU's) are institutions where dreams come true. Dreams which are initiated, molded and nurtured into realities. Each campus is a community consisting of individuals belonging to a family promoting sister and brotherhood, unified in spirit that extends beyond bloodlines.
>
> Institutional goals of Black colleges and universities are multifaceted and multidimensional. Nonetheless, they recognize the wholeness of the individual therefore, nurturing each student's mind, body and soul. Enrollment in Black colleges and universities allows students the opportunity to be creative, scholars, academicians, businessmen and businesswomen, but productive citizens in every facet of our society. Attending a Black college and university stimulates personal growth, self-exploration and positive self-esteem ("Black Colleges and Universities: A Perspective," 1991).

The foregoing facts and observations attest to the role of HBCU's in the nation and the state at large. The best way for me to address more specifically the role of these institutions is to cite some contributions of my own institution—Benedict College—to the state and national community. Service to the larger community has always been inherent in the mission and objectives of Benedict College. That this mission is being achieved is borne out by the ensuing examples.

—The College has engaged in a contract with the South Carolina Department of Social Services to provide coursework leading to the Bachelor of Social Work degree for DSS employees who need such work for professional certification and/or job advancement. The initial program was offered in Beaufort County at Penn Center for employees in the low country. It has since been replicated at the main campus, and other off-campus sites are being explored. Nine (9) employees have graduated from the program, and twenty-four (24) are currently enrolled in the program.

—The College has entered into a joint project with the South Carolina Criminal Justice Academy to offer coursework which enables state, county, and municipal employees to pursue degree work leading both to recertification to maintain employment as well as to a bachelor's degree in Criminal Justice.

—In response to the shortage of teachers in the state and the nation, Benedict College has initiated two innovative projects designed to increase the pool of teachers. One is the Minority Access to Teacher Education (MATE) program, supported primarily by funds allocated by the General Assembly through the S. C. Teacher Recruitment Center at Winthrop College. The MATE Program is designed to recruit high school students from selected rural areas of the state into the College's teacher education program and provide for them academic support and enrichment activities as well as supplemental financial support. Upon their graduation, these students are obligated to teach in a rural underserved area of the state. The other project is the Abed Forces Teacher Education for Retirees (AFTER) Program. This project recruits military personnel who have retired or are near retirement, into the Elementary Education program. The program, funded by the Coca-Cola Foundation, is designed primarily to address the need for Black male teachers in the classroom.

The records of our alumni attest further to the role Benedict College plays in the nation and the state. These include the following:

National Level

Judge Harold Stevens—First Black Supreme Court Justice of New York

Dr. Leroy Walker—First Black U.S. Olympic Coach; Head Coach of the U.S. Track and Field Team in the 1976 Olympics in Montreal; Internationally famous as a pioneer in the application of scientific principles of mechanics to track and field coaching.

Major General Matthew Zimmerman—First Black Chief of Chaplains in the U.S. Army

Ms. Carlean Alford—First Black woman to be hired as a Federal Bank Examiner in the Fourth Federal Reserve District, including Ohio, Pennsylvania, West Virginia, and Kentucky.

Mrs. Ada Huff Evans—Colorado's first black Mayor (of Fairplay, CO, 1975).

Dr. Nick Aaron Ford—Nationally known author and one of the Nation's leading authorities on African American literature and Black Studies; authored or co-authored ten books and published over 50 journal articles.

Mrs. Septima Clark—Gained national prominence as a result of her work to establish citizenship school throughout eleven (11) states of the Deep South; established school for illiterate adults.

Dr. John McKissick—First Black to head the Ohio Baptist Convention, an affiliate of the American Baptist Churches, USA

State Level

Mr. Tarleton Blackwell—First Black and youngest commissioned artist to have his work permanently displayed in the South Carolina Senate Chamber (portrait of Senator I. Dequincey Newman)

Dr. Alma W. Byrd—First Black woman elected to serve as Chairperson of Richland County District One School Board

Rep. Frank Gilbert—First Black senator to serve in his district.

Attorney Lincoln Jenkins—First Black to serve as an Associate Judge of the Richland County Court.

Attorney I.S. Leevy Johnson—First Black South Carolina Legislator since Reconstruction; first Black appointed Head of the South Carolina Bar Association; Founder of the South Carolina Legislative Black Caucus and served as its chairman in 1979–80.

Mrs. Marlene McClerklin—First Black Mathematics Consultant to serve in Richland School District One

Mrs. Annie Greene Nelson—First Black published woman novelist in South Carolina

Mrs. Maria Pyles—Named South Carolina Teacher of the Year, 1989–90

Mrs. Sara B. Shelton—Served in the South Carolina House of Representatives, District 23, Greenville, SC

Mr. Wilbur Tucker—Served as Postmaster in Manning, SC

Mrs. Patti Shaw—Served as Postmistress in Summerville, SC

Mrs. Hattie Sims—Served as Magistrate of Gadsden, SC

South Carolina Schools Named in Honor of Benedict Graduates:

—Bethel-Hanberry Middle School in Blythewood, named in honor of Dr. Annie E. Hanberry

—A.J. Lewis/Greenview Elementary School in Columbia, named in honor of Mr. A.J. Lewis

Financial Aid and Its Impact on Benedict College

The 1990 Statistical Report of the United Negro College Fund (UNCF) reports that:

> At UNCF member institutions, 91 percent of all students received some form of financial aid in 1988–89. At some UNCF colleges, close to 100 percent of the students depended on financial aid in order to attend.
>
> Recent survey data from the Cooperative Institutional Research Program's annual freshman survey shows that the median estimated family income of students attending private black colleges in fall 1989 was $31,666 as contrasted to $49,729 for students attending private nonsectarian colleges. I Data show] that three times as many students who attend private black colleges (24 percent vs. 8 percent) come from families where family income is less than $15,000—a figure close to the government's poverty level index. With so many students coming from extremely low income families, adequate financial aid is crucial to their ability to stay in college" (p. 12).

The UNCF Report observes further that between 1982–83 and 1988–89, Pell grant and SEOG funds remained fairly constant despite increases in enrollment figures as well as in the Consumer Price Index, while the amount of funds loaned to these students through the Guaranteed Student Loan program increased from $26 million to nearly $52 million. The conclusion reached in the Report is that "As fewer students have been able to obtain grant funds and with more students having to rely on loan funds, financing a college education has become more difficult for thousands of low income students who attend UNCF institutions" (p. 16).

Benedict College, a UNCF school, reports that approximately 94 percent of its students are receiving one or more forms of financial aid in the 1990–91 year. The largest source of financial aid over the past five years has been the Pell grant. The South Carolina Tuition Grants has been the next largest source of financial aid, fol-

lowed by the College Work Study Program. Since 1987, the Guaranteed Student Loan program has comprised a large portion of the student financial aid package, with the Perkins Loan Program contributing significantly also.

A review of the income data of students who attended Benedict College in 1988–89 indicates that approximately sixty percent of the students had a yearly family income of less than $14,999 (Benedict College Institutional Self Study Report, 1991). This suggests that a substantial number of Benedict College students would not have access to a college education without financial aid.

TRIO Programs/Title III Programs

The worth of the TRIO Programs has been documented repeatedly. A bulletin published by the National Council of Educational Opportunity Associations in 1981 provides the following summaries of evaluations of the TRIO Programs under the title: "Evaluations of the Special Programs for Students from Disadvantaged Backgrounds Have Shown the Projects to be Effective":

Special Services for Disadvantaged Students

A 1981 study commissioned by the Department of Education and conducted by the Systems Development Corporation tracked the performance of approximately 5800 freshman students enrolled at 58 representative Special Services projects in 1979–80. It compared their performance to that of a control group of equal size drawn from the same institutions. It found:

—Project services are reaching their intended population: economically and educationally disadvantaged students;
—Students who receive the full range of Special Services—counseling, tutoring and basic skills instruction—were 2.26 times as likely to complete their first year of college as students who do not receive those services; and
—SSDS students who attempted and completed more course units than did similar students who did not participate. [Source: John Coulson with Clarence Bradford and Judith Kave, "Evaluation of the Special Services for Disadvantaged Students (SSDS) Program: 1979–80 Academic Year," (Palo Alto, CA: Systems Development Corporation, 1981.)

Upward Bound

The most recent major study of Upward Bound was conducted by Research Triangle for the Department of Education. It followed 3,710 Upward Bound twelfth graders from 54 randomly selected Upward Bound projects and a comparison group of similar non-participants for 4 years. It concluded:

—The Upward Bound program appears to have a beneficial impact on students' educational aspirations, postsecondary progress and persistence;
—91 percent of Upward Bound graduates entered postsecondary institutions;
—Upward Bound participants were more than twice as likely to enroll in a 4-year college or university than were students in the control group;
—Upward Bound participants took greater advantage of financial aid and support services while in college than comparable non-participants; and
—Four years after high school graduation, Upward Bound participants were four times as likely to have earned a baccalaureate as comparable non-participants. [Source: Graham Burkheimer, John A. Riccobobo, and Joseph M. Wisenbaker, *Evaluation of the Upward Bound Program:* A Second Follow-up, (Research Triangle Part, NC: Research Triangle Institute, 1979).]

Talent Search and Educational Opportunity Center

No national evaluation of these programs has been completed. However, in 1981–82:

—Educational Opportunity Centers served 127,198 clients: 3,621 Indians, 4,645 Asians, 50,780 Blacks, 19,743 Hispanics, and 48,418 Whites. 34,145 (27 percent) clients were placed in postsecondary institutions.
—Talent Search Projects served 200,612 students: 8,449 Indians, 6,641 Asians, 82,914 Blacks, 39,541 Hispanics, and 63,066 White students. 74,790 students (37 percent) were placed in postsecondary institutions.
—More than 20 percent of Black and Hispanic freshmen who entered college in 1981 received assistance from a Talent Search project or an Educational Opportunity Center. Source: VSE Corporation, "Final Performance Reports for Talent Search and Educational Corporation, 1981." "Upward Bound, part of the De-

partment of Education and funded for $92 million, now serves 34,000 high school students in 504 projects. . . . Nationally, Upward Bound students have been graduating from college at four times the rate of students from similar backgrounds who weren't in the program" [Source: Colman McCarthy, "A Poverty Program That Works," *The Washington Post*, Saturday, July 14, 1990.]

The current issue of *Black Issues in Higher Education* provides the following review of TRIO Programs today:

For 1991, Upward Bound will enroll close to 50,000 students in 502 projects at institutions of higher learning. Talent Search serves 260,000 students in 177 projects. The EOG's serve 112,000 clients at 40 sites.

Student support services projects will serve 163,000 and operate at 716 institutions of higher learning. Their main function is to increase the retention and graduation rates of participating students. The McNair Program, serving 1,200 students at 28 programs, encourages undergraduate students to consider careers in college teaching and to prepare them for doctoral studies (Roberto Rodriquez, "TRIO Program Administrators Oppose New Federal Proposal," *Black Issues in Higher Education*, April 25, 1991, p. 10).

Benedict College has had an Upward Bound Program since 1973. A review of the program indicates that its success is consistent with the foregoing assessments. During its seventeen year tenure, the program has been funded for a total of 1020 students, but has actually served 1286 students. Of the 269 Benedict College Upward Bound students who graduated from high school, 79 percent are known to have enrolled in college and 75 percent of these remained in college. This 75 percent college retention rate far exceeds the approximately 50 percent retention rate of college students in general and the 60 percent average retention rate for Benedict College students over a ten year period.

Title III Programs have played a critically important role in strengthening HBCU's. I believe that the impact of title III programs at Benedict typifies their impact on HBCU's as a whole.

Over the past six years alone, title III support at Benedict College has contributed to the expansion and upgrading of the academic program, as well as upgrading of administrative effectiveness, academic facilities, and faculty preparation at Benedict. These contributions have included the following:

—The development of an Honors Program that has gained recognition for its achievements at the campus, regional, and national levels
—The development of a Faculty Development Program that has enhanced the level of faculty preparation, including an increase in the number of terminal degrees
—The development of programs of study and facilities in Environmental Health Science and Office Systems Management to address needs in the local and state community
—The development of a comprehensive academic support and enhancement program and facility to enhance student performance and retention
—The upgrading of the College's computer capability for academic and administrative utilization
—The upgrading of skills and effectiveness of senior administrators
—The development of a Student Financial Counseling system for advising students on interpreting their accounts and meeting their financial obligations to the College

Recommendations

The role, importance, and validity of HBCU's are substantiated by the facts and observations presented in the foregoing discussion. As stated succinctly by Dr. Samuel L. Banks, Director of Instructional Support Services in the Baltimore City Public Schools, "The educational reality is that predominantly Black institutions of higher education are not only needed, but need to be fully supported" ("The Necessity of Black Institutions of Higher Education: A Categorical Imperative," 1991). Considering the fact that many HBCU's have obtained substantial support from programs authorized and funded by the Higher Education Act of 1965, the recommendations below are made relevant to reauthorization of this act.

1. *Title III Programs especially part B should be maintained and strengthened.* This is necessary to offset the years of financial neglect and deprivation that many HBCU's have experienced, and to help them remain viable and solvent.

2. *The manner in which student loan defaults is handled should be restructured so that the lending institutions assume greater responsibility for collecting on repay-*

ment of loans by students. The current procedure of holding institutions solely accountable for student loan defaults while the lending institution benefits but is exempt from such accountability acts as a grossly unfair penalty to the institutions, many of which are HBCU's.

3. *The manner in which default rates are calculated should be restructured in a way that both percentages and actual dollar amounts are factored into the formula.* The current method of calculating default rates by percentages only, favors larger colleges and universities which may have a smaller percentage of defaults but whose dollar amounts are larger, while penalizing smaller institutions whose percentage rates may be higher but whose dollar amounts may substantially smaller.

4. *The manner in which financial aid packages are awarded should be reassessed and revised so as to reflect more awards in the grants category and fewer student loans.* Students from financially depressed backgrounds are more reluctant to obtain loans in large amounts and are more likely to experience difficulty repaying these loans. As a result, many of these students, although qualified academically, are restricted in their access to a college education. Many HBCU students fall into this category.

5. *Funding for TRIO Programs should be increased and the current procedure for awarding grants should be maintained.* "Estimates show that these programs are successful, but less than 10 percent of eligible students are being served due to lack of funding" ("Associations Propose Changes to Higher Ed Act," *Higher Education and National Affairs*, April 8, 1991, p. 4). Consolidation of these programs and shifting the granting of awards to the states would very likely deprive smaller institutions of equal access to the funding. TRIO Programs have proven their worth in their present configuration, and shifting the funding base to the states would destroy the infrastructure that is the basis of the success of the programs (see Rodriquez, "TRIO Program Administrators Oppose New Federal Proposal").

Senator THURMOND. Dr. Oscar Allen Rogers, president, Claflin College.

Mr. ROGERS. Mr. Chairman, as an ordained Baptist and Methodist minister, I am going to make history here today. I am going to give the shortest address of my life. [Laughter.]

I want to commend you, Senator, and we certainly thank you at Claflin College, which is located across the fence. We gave birth to this fine institution at South Carolina State sometime in the nineties, that is the 1890's.

As president of Claflin College, with her 887 students pursuing their dream and their family dream of a college education, I know they would only be able to achieve this through Title III and Title IV of the Higher Education Act.

I have had considerable experience with this act since 1966. For 14 years, I was coordinator of title III at a major university. With title I funds, I ran a leadership development program for 16 years. Title IX funds provided fellowships for our graduate students. We were also able to realize work-study funds for both graduates and undergraduates. In fact, Federal aid enabled our university to increase the pool of masters degrees for the Nation awarded to minority students in the 1970's and the early 1980's.

Today's features in the present act have greatly impacted Claflin College. We especially approve of the Black College Act, part B program, which allowed Claflin to use 50 percent of our title III grant for construction and renovation. With the prudent use of grant funds for construction and renovation, we have brought 5 major buildings up to standards, in order to have our accreditation reaffirmed by 3 accreditation bodies.

During the past 5 years, under title III, we have been awarded $2.9 million. Prudent utilization of these funds will enable Claflin to erect a much-needed classroom building for our business and communication majors. We have acquired needed equipment for

various laboratories and offices. part C of title III enabled Claflin to bring her endowment to the threshold of $7 million, from $600,000, in less than 8 years. A set-aside of $2 million will be ours to add to the $1 million that we are raising, a $2-for-$1 match will endow scholarships and funds for maintenance and construction.

Thank you for your attention, Mr. Chairman, and for your vigilance over the years in the defense of the rights of minority groups. All of our children in the educational institutions that serve them owe you a debt of gratitude.

[The prepared statement of Mr. Rogers follows:]

Prepared Statement of Mr. Rogers

Mr. Chairman, members of the Senate Committee on Labor and Human Resources Subcommittee on Education.

I am Oscar Allan Rogers, Jr., president of Claflin College at Orangeburg, SC. Claflin College, the oldest historically Black college in South Carolina, was founded in 1869 by forerunners of The United Methodist Church. We offer the Bachelor of Arts degree and the Bachelor of Science degree. Our academic program emphasizes the humanities, physical and natural sciences, mathematics and computer Science. In addition, our social sciences program features solid offerings in political science and sociology. We also offer cooperative academic programs with South Carolina State College and many other outstanding colleges and universities around the country.

For many years our teacher education program produced members of a productive Black middle class society. We have provided lawyers, teachers, physicians and ministers for service to the nation. Our alumni were well represented in the Gulf War.

I appear before you today on behalf of the United Negro College Fund (UNCF) and the 41 member college presidents who serve the more than 48,000 students from almost every state and thirty foreign countries. UNCF Colleges and Universities are integrated institutions which include more than 1,000 non-minority students who attend our member institutions each year. Since most UNCF students come from low income families—almost 90 percent of our student receive financial aid—they are highly dependent on federal, state and institutional support to pay their college cost—a cost which is actually only 39 of the true cost.

South Carolina is not a rich state. Yet within South Carolina the typical Black family still earns only two-thirds as much as the typical white family.

The old inequities are melting, but slowly, slowly.

The Higher Education Act hastens the day when ethnic differences will not mean economics differences.

Rather than a level playing field, we educators hope for a filed that will give the players an advantage.

I commend you, Mr. Chairman, for your willingness and dedication to hold this hearing to gather public support for continuing the various institutional support programs which impact positively some 500 colleges of which only 119 are designated historically black institutions. I thank you for your continued support of the Higher Education Act of 1965 as amended in 1972 and reauthorized subsequently over the years. You are providing a needed forum to express our hope that the nation's commitment to equal opportunity in higher education will grow stronger.

I am pleased to join my colleagues, Al Smith, Leonard Dawson, Curtis Bryant, Collie Coleman, Luns Richardson and others here today. We want you to know that the higher education community—public and private, traditionally white and historically black—is united in its desire to have the Higher Education Act reauthorized and strengthened. We share a common view that every young man and woman regardless of family income, heritage or circumstances, ought to have the opportunity to attend college. For most minority students, whether they. are Black, Hispanic or Indian, that means providing financial assistance to overcome generations of discrimination against their parents and grandparents in employment. The legacy of race and national origin discrimination in America obligates the nation to use every possible weapon in the fight to make equal opportunity in higher education a reality, not just rhetoric, for minorities in America.

As president of Claflin College, with her 887 students pursuing their dream and their family's dream of a college education, I know they would only achieve such through title III and title IV of the Higher Education Act. I have had considerable experience with the act since 1966. For 14 years, I was coordinator of title III at a

major university—with title I funds I ran a leadership development program for 16 years. Title IX funds provided fellowships for our graduate students. We were also able to realize work-study funds for both graduate and undergraduates. In fact, federal aid enabled our university to increase the pool of Master Degrees awarded to minority students in the 70's and early 80's.

Today features in the present act have greatly impacted Claflin College. We especially approve of the Black College Act Program which allows Claflin to use 50 percent of her title III grant for construction and renovation. With the present use of grant funds for construction and renovation, we have brought five major buildings up to standard in order to have our accreditation reaffirmed by three accreditation bodies.

During the past five years under title III, we have been awarded $2.0 million. Prudent utilization of these funds will enable Clalfin to erect a much needed classroom building for our business and communications majors. We have acquired needed equipment for various laboratories and offices.

Part C of title III enabled Claflin to bring her endowment to the threshold of $7,000,000 from $600,000 in less than 8 years. A set aside of $2 million will be ours to add to the $1 million we are raising—a $2-for-$1 match will endow scholarships and funds for maintenance and construction.

Thank you for your attention, Mr. Chairman, and for your vigilance over the years in the defense of the rights of minority groups. All of our children and the educational institutions that serve them owe you a debt of gratitude.

Senator THURMOND. Thank you, Dr. Rogers. We are glad to have you with us.

Mr. ROGERS. Thank you.

Senator THURMOND. Our next speaker is Dr. Leonard Dawson, president of Voorhees College.

Mr. DAWSON. Thank you very much, Senator Thurmond. I am very pleased to be here this morning to testify before this subcommittee, first of all, Senator, to tell you how pleased we are to be here and that you have brought this field hearing to South Carolina.

I think there is no more important issue facing the 102nd Congress than the reauthorization of the Higher Education Act, and I want to express the appreciation, Senator, for your role and your leadership in supporting the historically black colleges through the years. We know of your support of the Black College Act that Senator Simon sponsored some years ago, and how instrumental you were in helping to get that through the Senate. I want to personally thank you for your help in securing the $4.5 million for Voorhees College to build our health and human resources center, and we are very pleased about that and we certainly want to thank you for that.

Voorhees College in Denmark enrolls approximately 600 students. We have over the last 3 years had a modest student gain at our institution. I have provided and it will be a part of the record statistical report showing the reliance of our students on title IV assistance, and it characterizes that assistance over the last 5 years.

What is significant here is what everybody else has talked about, is that there is a decided increase in reliance on student loans as a part of that portfolio, as opposed to grants, and I want to assure you, Senator, that we are very interested in that issue, and we would urge you and this committee to take a very hard look at the imbalance between loans and grants.

As everybody else who has preceded me has mentioned, we think that access and choice both need to be maintained in the title IV programs, and to shift the focus back to the original intent of the

legislation, we think would be in the best interests of this Nation, and certainly students who have no other means of affording a college education.

We would like to provide what we think are some solutions to the student access, student assistance and student loan default problem. At my own institution, for instance, the loan amount has increased from $421,000 in 1985 to over $600,000 in 1989. That is approximately $190,000 of loan volume in approximately 4 years.

Let me try to make one or two recommendations regarding title IV. We would like to see the Pell grant program made a true entitlement program, a true entitlement program with the maximum of $4,000 award beginning in 1994. Now, we recognize that is a lot of money, but the budgetary impact would be lessened, if the freshman class beginning in 1994 could be the recipients of the higher award, and that it would be applied only in that first year, and you could add a class of students each successive year at that amount, which would lessen the budgetary impact over that period of time.

We could simplify the student aid process, I think, by going to a very simplified form which students could fill out, with 8 or 9 data elements, and look at students who come into the process who have been successful in receiving financial aid for the first year, require them to provide minimal proof during the second, third and fourth year of attendance, because income, which is the driving force of Federal student aid, does not change that much over a period of time, so that the second, third and fourth year, a simplified process could be utilized, so the students would not have to complete those voluminous forms year after year after year. Those are two of the points we would like to make about Federal student aid.

We would also like to make a point about the use of student loan default rates, which sometimes, if the process is followed, would exclude schools from participating who have high default rates. Now, we are very concerned about the default rates, as is the Congress and as is the administration. We are very concerned about that. Default rates sometimes are not the true picture of what an institution has done with the student aid funds, the grant funds.

For instance, at my own institution, Voorhees has a 31.7 percent default rate. The amount of money in question is $123,000. Now, the neighboring institution has only a 7.6 percent default rate, with over $2 million in default. So, I think the Congress ought to take some look at the amount of money involved, as opposed to the default rate.

A word, Senator, about TRIO. There is no doubt in my mind that these programs work. As my colleague Collie Coleman just said, Upward Bound director at a neighboring institution and worked for the Department of Education in TRIO for several years, these programs work.

I was concerned to hear the Secretary the other day include these programs in a proposed block grant approach to funding, to move them to the States. I support my colleague's statement that these programs work, and "if it ain't broke, don't fix it," let it stay right where it is. It works very well and I support that.

Before concluding, let me turn to title III. The title III program has worked very well for our institutions. I would just like to make one recommendation, that the part B floor for the grants for the

title III program be increased from $350,000 to $500,000. This would bring about 15 smaller institutions into the program that have not been able to take advantage of the increases that have occurred in the title III program over the last several years, and I would support my colleague Al Smith's comments about graduate schools and add our support to that.

Senator Thurmond, I would also like to enter in the record a copy of the recommendations and analysis of the administration's points on reauthorization, which has been done by the United Negro College Fund, and I would like to make that a part of the record.

Senator THURMOND. Thank you very much. You turn your entire statements over and any inserts you want in the record.

Mr. DAWSON. Thank you.

Senator THURMOND. We are pleased to have you here, Dr. Dawson.

Mr. DAWSON. Thank you.

[The prepared statement of Mr. Dawson follows:]

PREPARED STATEMENT OF LEONARD E. DAWSON

GOOD AFTERNOON, SENATOR THURMOND AND MEMBERS OF THE SUBCOMMITTEE ON EDUCATION, ARTS, AND HUMANITIES. I AM LEONARD E. DAWSON, PRESIDENT OF VOORHEES COLLEGE IN DENMARK, SOUTH CAROLINA. I CANNOT TELL YOU HOW HONORED AND PLEASED THAT I AM TO HAVE THE OPPORTUNITY TO APPEAR BEFORE THIS SUBCOMMITTEE TODAY AT THIS FIELD HEARING TO OFFER MY THOUGHTS ON THE **"REAUTHORIZATION OF THE HIGHER EDUCATION ACT"** AND PARTICULARLY HOW THIS LEGISLATION FOCUSES ON THE NATION'S HISTORICALLY BLACK COLLEGES AND UNIVERSITIES. VOORHEES COLLEGE ENROLLS APPROXIMATELY 600 STUDENTS WHO PAY TUITION, ROOM AND BOARD AND MANDATORY FEES TOTALING $5,860. AS YOU CAN READILY SEE, DESPITE SUBSTANTIAL INCREASES IN THE COST OF A COLLEGE EDUCATION AT MOST PRIVATE COLLEGES IN THE NATION OVER THE PAST DECADE, VOORHEES COLLEGE AND ITS 40 SISTER INSTITUTIONS IN THE UNITED NEGRO COLLEGE FUND (ALL PRIVATE FULLY ACCREDITED, DEGREE GRANTING) STRUGGLE EACH YEAR TO MAINTAIN HIGH QUALITY AND LOW COST. WE ARE DEDICATED TO KEEPING A COLLEGE EDUCATION AFFORDABLE, AND WITHIN THE FINANCIAL REACH OF STUDENTS FROM THE LOW AND MIDDLE INCOME FAMILIES THAT MAKE UP THE LARGEST PERCENTAGE OF OUR ENROLLMENT.

I APPEAR TODAY ON BEHALF OF VOORHEES COLLEGE AND OTHER HISTORICALLY BLACK INSTITUTIONS SIMILARLY SITUATED AND AM PLEASED TO HAVE THE OPPORTUNITY TO SHARE WITH YOU, SENATOR THURMOND, SOME OF OUR THOUGHTS AND CONCERNS. THIS 102ND CONGRESS HAS AN OPPORTUNITY TO PROVIDE LEGISLATION AND FUNDING THAT CAN STRENGTHEN

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THIS GROUP OF INSTITUTIONS FOR MANY YEARS TO COME. WE KNOW, SIR, OF YOUR LONGSTANDING CONCERN, YOUR OUTSTANDING LEADERSHIP, AND SUPPORT FOR THESE INSTITUTIONS. YOU AND YOUR STAFF WORKED CLOSELY WITH THE UNITED NEGRO COLLEGE FUND AND WITH SENATOR PAUL SIMON IN 1986 TO SEE THAT THE BLACK COLLEGE AND UNIVERSITY ACT WAS ENACTED INTO LAW. WITHOUT YOUR HELP AND SUPPORT, THE 1986 AMENDMENT TO TITLE III OF THE HIGHER EDUCATION ACT WOULD NEVER HAVE PASSED THE SENATE. SO THANK YOU SENATOR FOR YOUR UNWAVERING SUPPORT OF BLACK COLLEGES AND I WANT TO THANK YOU PARTICULARLY FOR WHAT YOU HAVE DONE FOR VOORHEES COLLEGE. YOU HELPED BRING TO FRUITION OUR NEW $4.5 HEALTH AND HUMAN RESOURCES CENTER WHICH WILL BE BUILT ON OUR CAMPUS IN DENMARK, SOUTH CAROLINA. NOT ONLY WILL THIS FACILITY MAKE IT POSSIBLE TO IMPROVE THE INSTRUCTIONAL AND ATHLETIC PROGRAMS AT VOORHEES COLLEGE, IT WILL PROVIDE A MUCH NEEDED RESOURCE THAT WILL MAKE IT POSSIBLE FOR US TO ENHANCE THE QUALITY OF LIFE AND WELL BEING FOR THE ENTIRE DENMARK COMMUNITY.

BEFORE ADDRESSING THE ISSUE AREAS THAT MY LETTER OF INVITATION REQUESTED THAT I DISCUSS, I WOULD LIKE TO GIVE YOU A DEMOGRAPHIC "SNAPSHOT" OF VOORHEES COLLEGE. THE FALL 1990 ENROLLMENT AT VOORHEES WAS 583 -- SLIGHTLY BELOW OUR FOUR-YEAR HIGH OF 602 IN THE FALL OF 1987 AND REPRESENTING A MODEST 47 STUDENT GAIN OVER OUR FALL 1989 ENROLLMENT. OUR 1989 STUDENT BODY INCLUDED 170 FRESHMEN, 170 SOPHOMORES, 77 JUNIORS AND 103 SENIORS -- 238 OF WHOM WERE MALES (44%) AND 300 OF WHOM WERE FEMALES (56%). WE ENROLL STUDENTS FROM SIXTEEN STATES, 390 OF WHOM ARE SOUTH CAROLINIANS. NINETY-

SEVEN PERCENT OF OUR STUDENTS STUDY FULL-TIME. NINETY-FOUR PERCENT RECEIVED SOME FORM OF FINANCIAL AID.

LIKE MOST UNCF INSTITUTIONS, OUR STUDENTS COME FROM LOW AND MIDDLE INCOME FAMILIES AND EASILY QUALIFY FOR ALL FORMS OF TITLE IV ASSISTANCE, I.E. THEY DON'T JUST DEMONSTRATE "NEED" RELATIVE TO THE COST OF EDUCATION, THEY ARE REALLY "POOR." ACCORDING TO UNCF'S 1990 STATISTICAL REPORT -- 91 PERCENT OF UNCF'S 50,000 STUDENTS FROM 48 STATES RECEIVED SOME FORM OF FEDERAL STUDENT AID IN 1988-89. AND MOST OF THESE STUDENTS RECEIVED SEVERAL FORMS OF FEDERAL STUDENT ASSISTANCE.

THE CHART BELOW CHARACTERIZES THE DEPENDENCE OF VOORHEES COLLEGE STUDENTS ON FEDERAL STUDENT AID IN ORDER TO OBTAIN A COLLEGE EDUCATION:

PROGRAM	NO. OF AWARDS	AMOUNT	AVG. AWARD
PELL GRANTS	530	$ 940,116	$ 1,773
SEOG	376	$ 399,095	$ 1,061
CWS	340	$ 287,965	$ 847
STAFFORD LOANS	420	$ 476,440	$ 1,134
PERKINS LOANS	164	$ 124,163	$ 757

I WANT TO URGE YOU, SENATOR THURMOND AND YOUR COLLEAGUES ON THE LABOR AND HUMAN RESOURCES COMMITTEE, IN THE STRONGEST POSSIBLE AND MOST SINCERE TERMS, TO WORK THROUGHOUT THIS REAUTHORIZATION TO RECOMMIT THE FEDERAL GOVERNMENT TO ASSURING "ACCESS" AND "CHOICE" THROUGH GRANT AID TO LOWER INCOME STUDENTS. THE MOST IMPORTANT ISSUE FACING THIS COMMITTEE, THE CONGRESS AND THE HIGHER EDUCATION

COMMUNITY IN THE CURRENT REAUTHORIZATION IS RESTORING A BETTER BALANCE BETWEEN THE AMOUNT OF FEDERAL AID PROVIDED IN THE FORM OF GRANTS AND THAT PROVIDED IN THE FORM OF LOANS. THE REMAINING BARRIERS TO ACCESS TO HIGHER EDUCATION -- FOR AFRICANS AMERICANS, HISPANIC AMERICANS, NATIVE AMERICANS, AND SEVERAL GROUPS WITHIN THE ASIAN AMERICAN COMMUNITY -- ARE RELATED TO THE RISING COST OF A BACCALAURESTE DEGREE EDUCATION, AND THE ACADEMIC PREPARATION OF STUDENTS FOR COLLEGE LEVEL WORK, ESPECIALLY THOSE IN OUR URBAN CITIES AND IN ISOLATED RURAL AREAS. OF CRITICAL IMPORTANCE IN SOLVING THE COST RIDDLE, I.E. HOLDING DOWN COLLEGE COSTS WHILE MAINTAINING HIGH QUALITY, IS THE NEED TO MAKE TITLE IV GRANT AID AVAILABLE TO LOWER INCOME STUDENTS, WHILE USING LOANS FOR MIDDLE AND UPPER INCOME FAMILIES. THIS WAS CONGRESS' ORIGINAL INTENT WHEN THE BASIC GRANT AND THE GUARANTEED STUDENT LOAN (GSL) PROGRAMS WERE FIRST CREATED IN THE EARLY 1970s. SOMEWHERE ALONG THE WAY -- IN AN EFFORT TO "SAVE MONEY" AND MAINTAIN THE APPEARANCE OF ASSURING "ACCESS," CONGRESS AND PRESIDENT REAGAN CONFUSED OUR WORTHY EDUCATIONAL OBJECTIVES WITH THE NEED TO CONSTRAIN GROWTH IN THE FEDERAL BUDGET.

UNFORTUNATELY, EQUAL OPPORTUNITY WAS SACRIFIED ON THE ALTAR OF A BALANCED BUDGET. WE HAVE -- TO BORROW A PHRASE FROM THE FRAM OIL FILTER COMMERCIAL -- A CHOICE BETWEEN PAYING NOW OR PAYING LATER!

IF AMERICA POSTPONES FOR ANOTHER FIVE YEARS A COMMITMENT TO ASSURING ACCESS TO HIGHER EDUCATION, WE WILL BE DOOMED TO A CYCLE OF ADULT ILLITERATES UNABLE TO FIND WORK, A NON-PRODUCTIVE

WORKFORCE WITH HIGH LEVELS OF UNEMPLOYMENT AMONG WOMEN, LOW INCOME AND MINORITY GROUPS, A SOCIETY INCREASINGLY UNCOMPETITIVE WITH THE INDUSTRIALIZED NATIONS OF THE WORLD AND MILLIONS OF PEOPLE DEPENDENT ON GOVERNMENT FOR WELFARE, FOOD STAMPS, HOSPITAL AND HEALTH CARE, AND AN EVER-WIDENING GAP BETWEEN THE WEALTHY AND THE WOE-BE-GONE!

I BELIEVE THE SOLUTION TO THE STUDENT ACCESS, STUDENT PERSISTENCE, AND STUDENT LOAN DEFAULT PROBLEMS WE FACE ARE ALL PART OF THE EXCESSIVE RELIANCE OF LOW-INCOME, EDUCATIONALLY "AT-RISK" STUDENTS ON STUDENT LOANS.

AT MY INSTITUTION, THE LOAN AMOUNT HAS STEADILY INCREASED FROM $421,256 IN 1985 TO $600,503 IN 1989. THIS INCREASE OF APPROXIMATELY $190,000 OCCURRED OVER A PERIOD WHEN PELL GRANTS REMAINED RELATIVELY CONSTANT OR RECEIVED ONLY TOKEN INCREASES AND OUR SUPPLEMENTARY EDUCATIONAL OPPORTUNITY GRANTS WERE LEVEL FUNDED. ONE CAN READILY SEE THAT THE ONLY AVAILABLE SOURCE OF FUNDING FOR OUR STUDENTS TO ABSORB THE EVEN MODEST INCREASES IN TUITIONS AND FEES WAS LOANS.

WE STRONGLY SUPPORT THE CREATION OF A TRUE PELL GRANT ENTITLEMENT AS THE ONLY MEANS FOR REDRESSING THE IMBALANCE BETWEEN LOAN AND GRANT FUNDS PROVIDED BY THE CONGRESS TO ELIMINATE THE BARRIER OF FAMILY FINANCES TO HIGHER EUDCATION ERECTED BY THE RISING COST OF A COLLEGE EDUCATION AND A FAMILY'S LIMITED DISPOSABLE INCOME THAT CAN BE DEVOTED TO HIGHER EUDCATION COSTS.

THERE IS NO MORE IMPORTANT ISSUE FACING THIS SUBCOMMITTEE AND THE 102ND CONGRESS THAN WHETHER OR NOT IT WILL, IN FACT, LIVE UP TO AMERICA'S THIRTY-FIVE YEAR OLD PLEDGE **"THE SECURITY OF THE NATION REQUIRES THE FULLEST DEVELOPMENT OF THE MENTAL RESOURCES AND TECHNICAL SKILLS OF ITS YOUNG MEN AND WOMEN ... WE MUST INCREASE OUR EFFORTS TO IDENTIFY AND EDUCATE MORE OF THE TALENT OF OUR NATION. THIS REQUIRES PROGRAMS THAT WILL GIVE ASSURANCE THAT NO STUDENT OF ABILITY WILL BE DENIED AN OPPORTUNITY FOR HIGHER EDUCATION BECAUSE OF FINANCIAL NEED."**

PRESIDENT EISENHOWER'S WORDS RING ESPECIALLY TRUE TODAY. FOLLOWING ON THE HEELS OF THIS NATION'S GREAT VICTORY OVER TYRANNY AND AGGRESSION IN KUWAIT, AMERICA MUST APPLY THE SAME SKILL, TECHNOLOGY AND FINANCIAL RESOURCES TO THE WAR AT HOME AGAINST POVERTY, IGNORANCE AND DESPAIR. WE CAN WIN THAT WAR, BUT NOT WITH MEAGER RESOURCES, HALF-HEARTED EFFORTS AT COMMITMENT, OR LIP SERVICE TO EDUCATIONAL QUALITY AND EQUAL OPPORTUNITY.

NO, WE MUST HAVE AN EDUCATION PRESIDENT AND AN EDUCATION CONGRESS COMMITTED TO HOWARD, HARVARD, CLEMSON, AND VOORHEES. WE MUST PROVIDE THE FINANCIAL RESOURCES THAT GUARANTEE EVERY LITTLE BOY AND GIRL -- WHETHER THEY LIVE IN BIRMINGHAM, ALABAMA OR BINGHAMPTON, NEW YORK; CHARLESTON, SOUTH CAROLINA OR CHEYENNE, WYOMING; DETROIT, MICHIGAN OR DUBUQUE, IOWA -- ACCESS TO AS MUCH EDUCATION AT EVERY LEVEL THAT HE OR SHE CAN ABSORB! FINALLY, WE MUST COMMIT OURSELVES TO DIVERSITY IN HIGHER EDUCATION AND TO THE DEVELOPMENT OF ALL OF THIS COUNTRY'S HUMAN RESOURCES -- BLACK AND

WHITE, RICH AND POOR, HANDICAPPED AND ABLE-BODIED, AND GIFTED AND HIGH POTENTIAL STUDENTS.

I WOULD LIKE TO MAKE A FEW RECOMMENDATIONS ON TITLE IV:

* MAKE THE PELL GRANT PROGRAM A TRUE ENTITLEMENT WITH A $4,000 MAXIMUM AWARD BEGINNING IN FY 1994. THE BUDGETARY IMPACT OF THIS PROPOSAL MIGHT BE PHASED IN BY APPLYING THE ENTITLEMENT TO FRESHMEN STUDENTS **ONLY** IN THE FIRST YEAR, THEN ADDING A CLASS OF STUDENTS EACH YEAR THEREAFTER OVER A FOUR YEAR PERIOD.

* SIMPLIFY THE FEDERAL STUDENT AID APPLICATION PROCESS. TWO THINGS COULD BE DONE IMMEDIATELY TO MAKE IT EASIER FOR LOW INCOME STUDENTS TO APPLY FOR AND RECEIVE TITLE IV ASSISTANCE, WHILE PRESERVING THE INTEGRITY OF THE AID PROGRAMS: (1) PROVIDE A REVISED SIMPLIFIED FEDERAL FORM FOR FAMILY INCOME BELOW $15,000, WITH SIX OR SEVEN DATA ELEMENTS, AND REQUIRE APPLICANTS TO SUBMIT THEIR 1040 OR 1040A FORM OR OTHER EVIDENCE THAT THEY RECEIVE AFDC OR FOOD STAMPS, LIVE IN FEDERALLY-SUBSIDIZED HOUSING, ETC. (THOSE STUDENTS WITH INCOME BELOW $10,000 SHOULD RECEIVE THE MAXIMUM AWARD; AND (2) REQUIRE STUDENTS APPLYING FOR AID FOR THEIR SOPHOMORE, JUNIOR OR SENIOR YEAR (WHO PREVIOUSLY RECEIVED TITLE IV AID AS FRESHMEN) TO SUPPLY UPDATED INFORMATION ONLY AND THE MOST RECENT PARENTAL/ STUDENT TAX RETURN INSTEAD OF REQUIRING THE STUDENT TO COMPLETE A WHOLE NEW APPLICATION EACH YEAR.

* REDUCE PAPERWORK BURDENS IN THE FINANCIAL AID PROGRAMS, ESPECIALLY FOR INSTITUTIONS WITH SIGNIFICANT NUMBERS OF AID RECIPIENTS IN THEIR STUDENT POPULATION (I.E. 50% OR GREATER), BY ELIMINATING THE VALIDATION REQUIREMENT FOR THOSE SCHOOLS WITH A THREE-YEAR UNBLEMISHED RECORD OF PERFORMANCE AND NO AUDIT EXCEPTIONS.

* ELIMINATE THE INCOME CONTINGENT LOAN (ICL) PROGRAM. THIS PROGRAM REPRESENTS A SERIOUS PITFALL FOR LOW INCOME STUDENTS BECAUSE IT APPEARS ATTRACTIVE YET IS LIKELY TO TRAP STUDENTS WITH LESSER EARNINGS GROWTH IN SERIOUS LONG-TERM DEBT. FOR EXAMPLE: A STUDENT WHO BORROWED $13,000 (UNDER THE ICL PROGRAM) WOULD BE REQUIRED TO REPAY OVER $48,000 IN PRINCIPAL AND ACCUMULATED INTEREST (USING THE PROGRAM'S ASSUMPTIONS AS TO INCOME AND PROJECTED MINIMUM PAYMENTS) IF HE OR SHE BEGAN AN EMPLOYMENT CAREER WITH A SALARY OF $10,800.00, OR WOULD BE REQUIRED TO REPAY $25,700 IN PRINCIPAL AND INTEREST OVER TEN YEARS IF THE STARTING SALARY WAS $23,100. IN CONTRAST, THAT SAME STUDENT WOULD PAY BACK ABOUT $18,925 OVER TEN YEARS IN THE STAFFORD LOAN PROGRAM.

* MERGE THE ICL CONCEPT INTO A TOTALLY CAMPUS-BASED PERKINS LOAN PROGRAM. FEDERAL CAPITAL CONTRIBUTIONS (FCC) FOR THE PERKINS PROGRAM WOULD CEASE AT THE END OF FY 1994 AND CAMPUSES WOULD ADMINISTER THE PROGRAM SOLELY BASED ON EFFECTIVELY COLLECTING FROM STUDENTS WHO HAVE BORROWED FROM THE PROGRAM. INSTITUTIONS MIGHT BE PERMITTED, AT THEIR

DISCRETION, TO ALLOW UP TO TEN PERCENT OF THEIR PERKINS LOANS TO BE SUBJECT TO INCOME CONTINGENT REPAYMENT. THE FY 1990 WAS FCC WAS $135,129,000 AND WAS ALLOCATED TO 1,559 INSTITUTIONS, INCLUDING ONLY 15 UNCF INSTITUTIONS. TWENTY-SIX OTHER UNCF INSTITUTIONS DO PARTICIPATE IN THE PERKINS PROGRAM. TUSKEGEE UNIVERSITY AND XAVIER UNIVERSITY, AS WELL AS MOREHOUSE COLLEGE RECEIVE THE BULK OF THE $1.3 MILLION IN FCC MADE AVAILABLE TO UNCF MEMBER COLLEGES THROUGH THE FY 1990 APPROPRIATION. THE TOTAL OUTSTANDING LOAN BALANCE IS $4.9 BILLION.

* ELIMINATE THE EXCLUSIVE AND ARBITRARY USE OF STUDENT LOAN DEFAULT RATES TO EXCLUDE INSTITUTIONS FROM PARTICIPATION IN TITLE IV PROGRAMS. WE CERTAINLY UNDERSTANDS THE DEPARTMENT'S DESIRE TO REDUCE STUDENT LOAN DEFAULTS. WE SHARE THAT CONCERN. HOWEVER, THE CRITERIA USED TO TARGET INSTITUTIONS FOR SPECIAL ATTENTION OR EXCLUSION FROM THE PROGRAM MUST BE SENSITIVE TO THE MISSION AND PURPOSE OF AN INSTITUTION, AS WELL AS THE INSTITUTION'S ROLE IN CREATING AND SOLVING THE LOAN DEFAULT PROBLEM. AMOUNT OF MONEY IN DEFAULT SHOULD BE TAKEN INTO CONSIDERATION AS OPPOSED TO DEFAULT PERCENTAGE. VOORHEES COLLEGE'S DEFAULT RATE IS 31.7 PERCENT WHILE THE TOTAL AMOUNT IN DEFAULT IS ONLY $123,624 IN CONTRAST, A NEIGHBORING INSTITUTION'S PUBLISHED DEFAULT RATE IS 7.6 PERCENT BUT THE AMOUNT IN DEFAULT IS IN EXCESS OF $2 MILLION.

A WORD, SENATOR, ABOUT THE TRIO PROGRAMS. THERE IS NO DOUBT IN ANYONE'S MIND THAT THESE PROGRAMS (UPWARD BOUND, TALENT SEARCH, STUDENT SUPPORT SERVICES, AND EDUCATIONAL OPPORTUNITY CENTERS) WORK. THEY PROVIDE THE BASIC EDUCATIONAL AND SUPPORT SERVICES THAT LOW INCOME, FIRST GENERATION COLLEGE STUDENTS NEED IN ORDER TO DISCOVER AND THEN REALIZE THEIR ASPIRATIONS. I CAN TESTIFY FIRSTHAND OF THE TREMENDOUS VALUE OF THESE PROGRAMS. HAVING DIRECTED AN UPWARD BOUND PROGRAM ON THE CAMPUS OF ONE OF OUR HISTORICALLY BLACK INSTITUTIONS AND HAVING SERVED IN THE U.S. DEPARTMENT OF EDUCATION AS DIRECTOR OF REGION III, I HAD THE OPPORTUNITY TO EXPERIENCE THE IMPACT THESE PROGRAMS HAVE HAD ON THOUSANDS OF UNDERPRIVILEGED YOUNGSTERS. CONGRESS HAS RECOGNIZED THAT THE EDUCATIONAL SUPPORT SERVICES ELEMENT OF ACCESS IS AS IMPORTANT TO NUTURE AS THE FINANCIAL SIDE, AND THAT NON-FINANCIAL BARRIERS -- CLASS, CULTURAL, AND PSYCHOSOCIAL BARRIERS -- CAN INHIBIT EDUCATIONAL SUCCESS AS MUCH AS LACK OF FUNDS.

THE U.S. CONGRESS HAS BEEN VERY SUPPORTIVE OF THE TRIO PROGRAMS. THE ADMINISTRATION IS PROPOSING FUNDING AT $385.2 MILLION FOR FISCAL YEAR 1992, AN INCREASE OF APPROXIMATELY $52 MILLION OR 15% OVER 1991. WHILE THIS CERTAINLY REPRESENTS A STEP IN THE RIGHT DIRECTION, THE NATIONAL COUNCIL OF EDUCATIONAL OPPORTUNITY ASSOCIATIONS ARGUE THAT UNDER THE PRESENT APPROPRIATION, ONLY ONE OF FOUR ELIGIBLE STUDENTS CAN BE EFFECTIVELY SERVED. THEY PROJECT THAT FUNDING NEEDED TO DOUBLE THE NUMBER OF STUDENTS (1,176,570 OR 50% OF ELIGIBLE STUDENTS) WOULD BE $696.4 MILLION).

I LISTENED WITH INTEREST TO PRESIDENT BUSH'S SPEECH ON EDUCATION ISSUES THE OTHER DAY AND HAVE READ SECRETARY ALEXANDER'S COMMENTS ON REAUTHORIZATION. WHILE THEY HAVE COME OUT IN STRONG SUPPORT OF THE SUCCESS OF THE TRIO PROGRAMS, I WAS DISAPPOINTED TO HEAR THE ADMINISTRATION PROPOSE TO FOLD THE TRIO APPROPRIATIONS INTO BLOCK GRANTS TO THE STATES. WHILE THIS MAY BE POLITICALLY POPULAR, IT MAKES NO SENSE EDUCATIONALLY. CONGRESS SHOULD RESIST AT ALL COSTS THE ADMINISTRATION'S EFFORTS TO TAMPER WITH THESE PROGRAMS. THEY HAVE PROVEN THAT THEY WORK. "IF IT AIN'T BROKE, SENATOR, DON'T FIX IT!" EMPHASIS SHOULD BE PLACED ON PROVIDING ADDITIONAL FUNDING SO THAT MORE ELIGIBLE STUDENTS CAN BE SERVED.

LET ME TURN TO TWO OTHER SUBJECTS BEFORE CONCLUDING.

TITLE III OF THE HIGHER EDUCATION ACT HAS ALWAYS BEEN A MAJOR SOURCE OF SUPPORT FOR THE NATION'S HISTORICALLY BLACK COLLEGES AND UNIVERSITIES. DURING THE 1986 REAUTHORIZATION, THIS PORTION OF THE ACT WAS SUBSTANTIALLY RE-WRITTEN TO CREATE, IN PART B, A FORMULA DRIVEN PROGRAM THAT PROVIDES DIRECT ASSISTANCE TO 98 HBCUs IN THE SOUTH AND SOUTHWEST, AND IN OHIO, PENNSYLVANIA AND OKLAHOMA.

I BELIEVE THIS PROGRAM HAS WORKED WELL AND ONLY A FEW MINOR ADJUSTMENTS NEED BE MADE TO ASSURE ITS CONTINUED OPERATION AND ITS EFFECTIVE SUPPORT FOR THE NATION'S HISTORICALLY BLACK COLLEGES AND UNIVERSITIES.

FIRST, THE PART B "FLOOR" OR THE GRANTS GOING TO THE SMALLEST OF THE HISTORICALLY BLACK COLLEGES AND UNIVERSITIES SHOULD BE RAISED FROM $350,000 to $500,000. THIS WOULD BRING AN ADDITIONAL

FIFTEEN SMALLER TWO AND FOUR YEAR COLLEGES TO THE HIGHER FUNDING LEVEL. UNDER THE PRESENT FORMULA, THEY HAVE NOT RECEIVED ANY OF THE BENEFITS OF THE INCREASED APPROPRIATIONS THAT CONGRESS HAS PROVIDED SINCE 1986 AND ALL OF THEM NEED FEDERAL HELP THE MOST IF THEY ARE TO SURVIVE AND PROSPER.

SECOND, FIVE ADDITIONAL GRADUATE AND PROFESSIONAL SCHOOLS SHOULD BE ADDED TO SECTION 326 OF THE TITLE III PROGRAM IN A WAY THAT DOES NOT REDUCE THE AWARDS TO THE EXISTING FIVE INSTITUTIONS SERVED BY THIS SECTION. THE FIVE NEW INSTITUTIONS WOULD BE: (1) XAVIER UNIVERSITY SCHOOL OF PHARMACY; (2) FLORIDA A&M UNIVERSITY SCHOOL OF PHARMACEUTICAL SCIENCES; (3) THE TEXAS SOUTHERN UNIVERSITY SCHOOL OF PHARMACY OR THE THURGOOD MARSHALL SCHOOL OF LAW AT TEXAS SOUTHERN; (4) THE SOUTHERN UNIVERSITY SCHOOL OF LAW; AND (5) THE NORTH CAROLINA CENTRAL SCHOOL OF LAW.

THIRD, WE URGE THE SENATE TO AGAIN PASS THE BUSH ADMINISTRATION'S PROPOSAL TO ESTABLISH A **"SETASIDE"** IN PART C OF TITLE III (CHALLENGE/ENDOWMENT GRANTS) FOR THE HISTORICALLY BLACK COLLEGES AND UNIVERSITIES. THE SUM OF $20 MILLION IS REQUESTED.

IN ADDITION, WE URGE THE CONGRESS TO PROVIDE AN AUTHORIZATION FOR FY 1994 FOR PART B OF $250 MILLION AND FOR PART C OF $30 MILLION. THESE FIGURES INCLUDE THE $20 MILLION **"SETASIDE"** FOR HISTORICALLY BLACK COLLEGES AND UNIVERSITIES.

FINALLY, WE ARE RECOMMENDING THAT THE CURRENT TITLE IX, PART A BE MERGED WITH THE EXISTING RONALD C. MCNAIR POST-BACCALAUREATE ACHIEVEMENT PROGRAM IN SECTION 4170(d) OF THE ACT. SENATOR

THURMOND, YOU WERE RESPONSIBLE FOR INITIATING LEGISLATION TO NAME THIS PROGRAM IN HONOR OF THE LATE CHALLENGER ASTRONAUT RONALD MCNAIR, WHO WAS A NATIVE OF SOUTH CAROLINA. IN ITS FY 1992 BUDGET AND HIGHER EDUCATION ACT REAUTHORIZATION RECOMMENDATIONS, THE BUSH ADMINISTRATION HAS RECOMMENDED THAT THE MCNAIR PROGRAM AND PART A OF TITLE IX BE MERGED IN SECTION 4170(d). THE TWO PROGRAMS ARE ALMOST IDENTICAL AND REPRESENT DUPLICATE FEDERAL EXPENDITURES AND PURPOSES. WE SHARE THAT VIEW AND SUPPORT THE MERGER.

IN ITS PLACE, WE RECOMMEND THAT CONGRESS ENACT A PROGRAM DESIGNED TO DRAMATICALLY INCREASE THE NUMBER OF AFRICAN AMERICAN, HISPANIC AMERICAN, NATIVE AMERICAN, AND ASIAN AMERICANS EARNING THE PH.D AND ENTERING THE HIGHER EDUCATION PROFESSORATE. WE URGE CONGRESS TO CREATE A PROGRAM THAT WILL PROVIDE FEDERAL FELLOWSHIP ASSISTANCE TO CURRENT FACULTY AT HBCUs, HISPANIC-SERVING COLLEGES AND UNIVERSITIES, AND ANY OTHER INSTITUTION WITH SIGNIFICANT MINORITY FACULTY OR MINORITY FACULTY TEACHING WITHOUT A TERMINAL DEGREE. OTHER PARTICIPANTS COULD INCLUDE MINORITY BACCALAUREATE DEGREE RECIPIENTS WHO WISH TO TEACH AT THE COLLEGIATE LEVEL. IN ADDITION TO RECEIVING THE FEDERAL **"HAWKINS FELLOWSHIP"** (NAMED IN HONOR OF FORMER HOUSE EDUCATION AND LABOR COMMITTEE CHAIRMAN, AUGUSTUS F. HAWKINS), THE RECEIVING INSTITUTION WOULD: (1) WAIVE GRADUATE SCHOOL TUITION AND PROVIDE AN ASSISTANTSHIP; (2) PROVIDE A SUPPLEMENTARY STIPEND TO THE STUDENT FROM EXTERNAL, PRIVATE SOURCES; AND (3) PROVIDE SUPPORT SERVICES, IF NEEDED, TO ASSURE THE STUDENT'S ACADEMIC SUCCESS. FOR EACH YEAR OF FELLOWSHIP ASSISTANCE

RECEIVED, THE HAWKINS FELLOW WOULD COMMIT TO TEACH FOR TWO YEARS AT HIS/HER HOST OR SENDING INSTITUTION.

I WOULD LIKE TO REQUEST THAT THE UNITED NEGRO COLLEGE FUND'S, ANALYSIS OF THE DEPARTMENT OF EDUCATION'S FY 1992 BUDGET BE INCLUDED IN THE RECORD RIGHT AFTER MY WRITTEN TESTIMONY. IT EXPLAINS AND ELABORATES ON MANY OF THE POINTS I HAVE MADE HERE THIS AFTERNOON, AS WELL AS INDICATING OUR VIEWS ON SOME OF THE ADMINISTRATION'S HIGHER EDUCATION ACT REAUTHORIZATION RECOMMENDATIONS, AND IT MAY BE OF SOME ASSISTANCE TO YOU SENATOR THURMOND AND THE OTHER MEMBERS OF THE COMMITTEE.

THAT CONCLUDES MY FORMAL TESTIMONY. I WOULD BE PLEASED TO ANSWER ANY QUESTIONS YOU MAY HAVE.

--/ 1990 STATISTICAL REPORT, HUGH R. FORDYCE AND ALAN R, KIRSCHNER, UNITED NEGRO COLLEGE FUND, INC. (JANUARY 1991) P.13.

--/ NATIONAL COUNCIL OF EDUCATIONAL OPPORTUNITY ASSOCIATIONS, (Spring 1991) Washington, DC

--/ SPECIAL MESSAGE TO CONGRESS: "NATIONAL DEFENSE EDUCATION ACT," JANUARY, 1958, PUBLIC PAPERS OF THE PRESIDENT, DWIGHT D. EISENHOWER, BOOK III, P. .

Senator THURMOND. Our next speaker is Dr. Curtis Bryan, president of Denmark Technical College, which I believe was established when I was Governor.

Mr. BRYAN. Yes. I want to thank you very much this morning for that.

Senator THURMOND. We laid the groundwork and then later it was converted to part of the technical college system, but it was started as an area trade school originally.

Mr. BRYAN. We are most grateful for that, and we are certainly grateful for that, and we are certainly grateful for what you are now doing and certainly believe that you will continue to do.

Senator Thurmond and other distinguished people, ladies and gentlemen, I am Curtis Bryan, president of Denmark Technical College. It is indeed a pleasure for me to have the opportunity to provide input into the very important work being done here today. Certainly, the decisions that are finally made regarding the reauthorization of the Higher Education Act will impact heavily upon the economic and social development of this State and our Nation as a whole.

Permit me to share with you the highlights of my written statement that I have submitted. I address in that statement the role of HBCU's, and I explain in rather specific terms how Denmark Technical College is now contributing to the education of our people. I will not go into many of those details now.

According to statistics, and most of us are familiar with those statistics made available by the National Association of Equal Opportunity in Higher Education, enrollment at HBCU institutions like Denmark Tech is increasing at a rather substantial rate. Enrollment in these institutions increased in the fall of 1990 by 4.1 percent, as compared to the fall of 1989. Similar growth has been experienced over the past few years, a statistic which refutes the argument that some would propose, that HBCU's are becoming even more essential, rather than the argument that they may be becoming not relevant.

The fact is that these institutions are becoming even more essential. Please let me give caution here, because these same statistics show that women outnumber men at HBCU's, 61.5 percent to 38.5 percent. This is a reminder to us of the decreasing number of black males in colleges and the challenges that we must face now, and we at Denmark Tech are working hard to reverse this trend.

All indications tell us that minority institutions will have to play a greater role if we are to meet the need for skilled workers in the future. Therefore, every effort should be made to strengthen their programs, their faculties and the facilities available. This effort should be special, direct, unequivocal, giving recognition to the fact that the viability of HBCU's is essential to our Nation's social fabric and its economic growth and competitiveness.

Now, it is within that context that I strongly recommend that the following be considered in the reauthorization of the Higher Education Act:

We believe that emphasis should be placed on increasing Pell grants, as many have recommended, rather than loans. At Denmark Tech, we have observed that grants tend to facilitate enroll-

ment and retention, while the loans are not as effective in that process.

We would recommend that the Federal Government should provide optional repayment schedules for students who have obtained guaranteed student loans that would recognize employment status and the level of income. Many students who are listed among the default statistics simply do not have jobs in many cases, and have very low-paying jobs in other cases.

We have thought about it, and would like to recommend at this time that we consider the resources of the Internal Revenue Service and the State tax agencies resources that should be utilized to track persons who have defaulted on guaranteed student loans, and to insure timely repayment.

In cases of default, all tax refund checks would be held and similar tough strategies would be used until total repayment is made.

I do not believe that it would be productive in the long-term to hastily cancel guaranteed student loan programs at institutions with default problems. Default problems, in many cases, appear to be problems of the individual, not problems of the institution's failure to be diligent in counseling students and encouraging them to repay.

Institutions can certainly do much more. They can do a letter better, but I do not feel that they will ever solve the problem alone.

This raises a question of where these students would go, if they could no longer obtain loans at institutions with rather high default rates. If those students would transfer to other institutions and increase the default rates at those institutions, would the guaranteed student loan programs be canceled at those institutions? Could this start productive cycle of shifting the issue, eventually eliminating programs even at our most prestigious institutions, as students who do not repay would move from one group of institutions to another group of institutions?

It appears that a better strategy would be to develop methods to track persons in default and demand repayment. Systems already exist at the Federal and State levels that would be most effective, with moderate modifications.

The trend to allow students to get on the title III band wagon is another issue that should be reversed. We must control the expansion of the program and return to the program's initial objectives. The control priority, we believe, should relate to questions of access and equity for minority and support of evolving institutions, to move them to self-sufficiency.

Greater flexibility, we believe, in the use of part B funds, should be allowed by permitting activities which are not specifically authorized, but contribute to the overall purposes of the program. Some have said that the part B minimum grant should be changed from $150,000 to $500,000, to help equalize funding for the smaller institution.

I certainly agree that a separate $20 million authorization for historical black colleges should be considered.

Additionally, I support the reauthorization recommendations of the American Council on Education and those of the National Association of Equal Opportunity in Higher Education. The details of

those changes are explained in the attachment that I am submitting with this statement.

Before I leave, I must State publicly how grateful we are for the support, Senator Thurmond, that we have received as a result of the Higher Education Act. Our institution has been strengthened significantly through title III funding. State funds have not been readily available, for example, for faculty development. Our faculty has been strengthened significantly through title III funds.

In addition, we have been able to enhance our computer services. We are now initiating a brand new program in associate in arts and associate in science. State funding is not normally available to initiate new programs, and we are using title III to get that program off the ground, thus moving in a positive direction at this time.

We have used funds for cultural enrichment, and we have established a good academic records management system, all of this from title III. We believe that a few more years of support will indeed allow us to reach self-sufficiency, and we are grateful for title III, particularly, in the Higher Education Act.

I want to thank you so much for allowing me to participate in these hearings. Thank you.

[The prepared statement of Mr. Bryan (with an attachment) follows:]

PREPARED STATEMENT OF MR. BRYAN

Senator Thurmond, members of the U.S. Senate Labor and Human Resources Committee, Mrs. Neilson, State Superintendent of Education, Mr. Fred Sheheen, State Commissioner of Higher Education, my colleagues from the Historically Black Colleges of the State of South Carolina, ladies and gentlemen. Good morning. I am Curtis Bryan, president of Denmark Technical College. It is indeed a pleasure for me to have the opportunity to provide input into the very important work being done here today. Certainly, the decisions that are finally made, regarding the reauthorization of the 1965 Higher Education Act will impact heavily upon the economic and social development of this state and our Nation as a whole.

We know what the statistics, forecasts, and demographic studies tell us, but, they are of such importance, that we should constantly focus upon them. As the year 2000 approaches, the state, the nation, and the service area of Denmark Technical College (Allendale, Bamberg and Barnwell counties) will be impacted by dramatic changes in technology, global competition, economics, and demographic shifts. By the time the century turns, every worker will need at least two years of schooling beyond the high school level. Not only will employers require workers educated in the technical competencies, but they will also expect competency in decision-making, computation, and communications. The educational challenge that we face is great because delivery systems must be flexible enough to accommodate an average worker who will change jobs 6-8 times and change occupations three times within a lifetime. Fully one third of the nation's workforce will be Black, Hispanic and female, the group which historically has been educationally deficient. This must change for a whole host of important reasons. Because of technology, the whole concept of war was changed during Operation Desert Storm. If this country is to continue to plan, design, construct and maintain advanced systems, and have people to operate them, there must be special attention given Blacks, Hispanics, and female groups. Today, however, there are more Black males in jail than in colleges and universities. Our nation needs the talents of this segment of the population to maintain a sufficient pool of skilled manpower.

At Denmark Technical College, we are committed "to helping meet the demand for skilled manpower through educational programs and services that facilitate the liberal and technical education of learners." This thought comes directly from the College's mission statement. Our college recognizes that if our service area is to fully develop, our people must have the opportunity, to improve themselves through liberal, technical or occupational programs. Our college must be dynamic in devel-

oping programs, and move beyond the traditional. We must constantly think in terms of affordability because, the number one impediment, to education, for our people, is the lack of money. With adequate financial assistance to students and with adequate support to the institution, ITC can make a significant contribution to the education of some of our most deprived citizens.

Historically Black Colleges and Universities, like DIC, continue to maintain a unique position in the educational delivery system of the United States. While HBCU's enroll only about 20 percent of Blacks in higher education, these institutions account for about 40 percent of the degrees earned by blacks. Over 85 percent of Black professionals were educated at these institutions. Most black officers in the armed forces of this country were also educated at HBCU's.

According to the statistics made available by the National Association for Equal Opportunity in Higher Education (NAFEO), enrollment at HBCU's is increasing at a rather substantial rate. Enrollment in these institutions increased in the fall of 1990 by 4.1 percent as compared to the fall of 1989. Similar growth has been experienced over the past few years, a statistic which refutes the argument that HBCU's may not be relevant. The fact is, these statistics show that HBCU's are becoming even more essential. Please let me give caution here because those same statistics show that women outnumber men at HBCU's 61.5 percent to 38.5 percent. This is a reminder to us of the continued decline of Black males in colleges and the challenges that must be faced on this front

All indications tell us that minority institutions will have to play a greater role if we are to meet the need for skilled workers. Therefore, every effort should be made to strengthen their programs, faculties, and facilities. This effort should be special, direct and unequivocal, giving recognition to the fact that the viability of HBCU's is essential to our nation's social fabric and its economic growth and competitiveness.

It is within this context that I strongly recommend that the following be included in the reauthorization of the 1965 Higher Education Act:

—Emphasis should be placed on increasing Pell grants rather than loans. At DIC we have observed that grants facilitate enrollment and retention while loans are not as effective.

—The federal government should provide optional repayment schedules for students that would recognize employment status and level of income. Many students are listed among the Default Statistics simply because they don't have jobs or have very low paying jobs.

—The resources of the Internal Revenue Service and State tax agencies should be utilized to track persons who have defaulted on guaranteed student loans to ensure timely repayment. In cases of default, all tax refund checks would be held and similar tough strategies should be used until total repayment is made. It does not appear to be productive to cancel guaranteed student loan programs at institutions with high default rates. Default problems appear to be more of a problem of the individual than the institution's failure to perform. Institutions can certainly do more but they will never solve the problem alone. This raises the question of where those students would go if they could no longer obtain loans at institutions with high default rates. If those students would transfer to other institutions and increase the default rate at those institutions, would the Guaranteed Student Loan program at those institutions then be closed? Could this start a counterproductive cycle of shifting the issues, eventually eliminating loan programs, even in some of our most prestigious institutions, as students who do not repay would move from one group of institution to other institutions? It appears that a better strategy would be to develop methods to track persons in default and demand repayment. Systems already exist at the federal and state levels that would be most effective with moderate modifications.

—The trend to allow institutions to get on the title III "band wagon" should be reversed. We must control the expansion of the program and return to the program's initial objectives. The controlling priority should relate to questions of access and equity for minorities and the support of developing institutions to move them to self sufficiency. Greater flexibility in the use of part B funds should be allowed by permitting activities which are not specifically authorized but contribute to the overall purposes of the program. The part B minimum grant should be changed from $350,000 to $500,000 to help equalize funding for smaller institutions. A separate $20 million authorization for historically black colleges and universities should be established in part C—Challenge Grants, and the general part C authorization should be increased to $75 million. Challenge grants should be capped relative to the size of the appropriation.

Additionally, I support the reauthorization recommendations of the American Council on Education and the National Association of Equal Opportunity in Higher Education. The details of these changes are explained in the attachment to this statement.

I must not leave before stating publicly how grateful we are for the support that we have received as a result of the Higher Education Act. Our institution has been strengthened significantly through title III funding. State funds have not been available for faculty development and title III support has done much to strengthen our facility. In addition, we have been able to enhance our computing services, initiate new Associate in Arts and Associate in Science degree programs, strengthen our Learning Resources Center, provide cultural enrichment for our students and establish a records management system. A few more years of support will, indeed, allow us to reach self sufficiency. We are grateful.

Thank you so much for allowing me to participate in these hearings.

ATTACHMENT

HIGHLIGHTS OF HEA REAUTHORIZATION RECOMMENDATIONS
Transmitted to House Postsecondary Subcommittee
by 12 Higher Education Associations, April 8, 1991

Title I:

A revised and simplified Title would combine currently unfunded authorities of Titles I (Continuing Education) and XI (Urban Grants) as a new program for University Outreach, Community Service and Continuing Education.

Part A, Urban Community Service, (current XI-B revised, together with the current V-B authority for School, College and Community Partnerships) would authorize grants to urban institutions, including two-year and four-year institutions, to bring their knowledge to bear on the problems of urban areas.

Part B, Partnerships for Continuing Higher Education, would authorize grants to support programs to serve the continuing education needs of adult learners (a modification of the current authority in I-A, repealing I-B, I-C and I-D (national programs, advisory council, student literacy corps).

Title II:

The Title would be changed to "Academic Libraries in an Electronic Networked Environment." The currently unfunded II-A (Grants for College Library Resources) would be revised based on the current II-D (College Library Technology and Cooperation Grants) to establish a reinvigorated program of technological and cooperative assistance with a priority for needy institutions not yet linked to library resource sharing networks.

II-B (Library Education, Training, Research and Development) would be modified to place emphasis on the training of minority librarians.

II-C (Strengthening Research Library Resources) would be modified to emphasize projects related to the Internet/NREN and to encourage interinstitutional cooperation in collection development.

Title III

The five-year wait-out period would be eliminated for institutions which successfully complete a Part A grant. The community college setaside in Part A would be repealed.

Greater flexibility in the use Part B funds would be accomplished by permitting activities which are not specifically authorized but contribute to the

overall purposes of the program. The Part B minimum grant would be changed from $350,000 to $500,000 to help equalize funding for smaller institutions.

Five HBCU's would be added to the list of institutions eligible for grants under Section 326, the graduate section of Part B, and the Secretary would be authorized to add other institutions as appropriate.

A separate $20 million authorization for historically black colleges and universities would be established in Part C Challenge Grants, and the general Part C authorization would be increased to $75 million. Challenge grants would be capped relative to the size of the appropriation.

Institutions receiving Part A or B grants would be permitted to participate in multiple cooperative agreements; grants could be awarded directly to formal consortia.

Title IV:

Pell Grants. A $4,000 Pell Grant maximum would be established for academic year 92-93, and adjusted annually thereafter based on the Consumer Price Index. Such a substantial increase is necessary to repair the erosion of the award over the past decade, and assure that its value is maintained.

The formula for determining individual Pell awards would be changed to make the maximum award equal $2500 for living expenses, plus 25 percent of tuition (not to exceed $1500), minus Expected Family Contribution (EFC). Future adjustments in the maximum above $4000 would be split dollar for dollar between the living cost and tuition components of the formula. This would simplify the current complex formula, which requires three computations to determine the size of the award.

The proposed formula would significantly increase awards for all low-income Pell recipients, including a more realistic living allowance (about half the average cost of room, board, and books), while at the same time increasing the tuition-sensitivity of the award in recognition of the needs of students who pay higher direct educational expenses. Eligibility would be expanded to families with incomes up to $43,300 (somewhat below the 1979 eligibility level of $25,000, adjusted for inflation) to increase the participation of working-class families and students attending baccalaureate degree-granting institutions. Awards would be prorated for students attending programs of less than an academic year.

The Education Department would be required to borrow from the following year whenever appropriated funds are insufficient. Removing the Department's authority to reduce awards when its estimates indicate that

funds are insufficient would mark an important step to establish greater certainty in the program, so that students can make their educational plans based on assurance of the amount of aid they will receive.

Campus-Based Programs. SEOG, CWS, and Perkins Loans would be continued and expanded with the following modifications:

An incentive for persistence and retention in higher education would be established by allocating additional SEOG funds based on the calculated need of eligible aid applicants who have completed the freshman year. Such an incentive is needed to address the serious problem of low retention and completion rates in postsecondary education. Institutions would continue to award campus-based funds to all classes of students as they do now, but those doing a better job of retaining students and encouraging them to complete their programs would receive a larger allocation of any funding.

Authority to transfer funds among campus-based programs would be expanded by permitting institutions to transfer up to 25 percent of SEOG, CWS, and Perkins funds among the programs. Currently only 15 percent of SEOG and CWS funds are permitted to be transferred. In exchange for such added flexibility to use campus-based aid, the institutional matching requirements would be increased in the aggregate by setting a uniform 25 percent rate for all three programs (currently the match is 10 percent for Perkins, 15 percent for SEOG, and 30 percent for CWS).

State Student Incentive Grants. The SSIG program would be continued and its authorization expanded. An important new authority is also proposed, to provide federal matching to encourage states to establish or expand early intervention programs for at-risk secondary students.

Several states have established pioneering early intervention programs, based on a commitment to provide low-income students from sixth grade through high school with mentoring, counseling, and special remedial services they need for academic success, including career planning, early assessment of eligibility for federal aid, and the assurance of state assistance to attend college if they graduate from high school. Such a new initiative under the SSIG program would forge a critical link in the expansion of educational opportunities: there is growing recognition that the failure to obtain or complete postsecondary education is often attributable to the fact that junior and senior high school students and their parents are unaware of academic prerequisites for college attendance, have inadequate information about the availability of federal assistance, and lack encouragement to plan for college.

In a related recommendation, an amendment to the Title IV General Provisions is proposed to authorize funding for a national information

campaign to publicize the availability of federal student aid, the importance of postsecondary education in long-term career planning, and the need to complete a high school program which meets college requirements. This would establish a line item in the Education Department budget to broaden early awareness of postsecondary opportunities.

TRIO programs. The authorization would be increased to enable these programs to reach a larger percentage of at-risk students. Despite their proven success, they serve less than ten percent of students eligible for TRIO services. Talent Search would be extended into the sixth grade, coordination with other stage and private programs of remediation and support would be enhanced, and steps would be authorized to strengthen programmatic and administrative accountability for the programs.

Loan Programs. Several recommendations are made to expand loan availability, to meet cash flow need of students and parents, to extend flexible repayment options to student borrowers most at risk, and to effect significant savings in the federal cost of the loan programs:

A new direct lending program would be created using federal capital under the mandatory spending cap for institutions with a proven record of financial management. This would make use of the new credit reform accounting rules to provide more loan capital at less cost to the federal government, which in turn would help finance a needed expansion of loan limits. No institution would be required to participate; eligible institutions would act as agents of the federal government to originate loans on terms and conditions comparable to Stafford Loans. Loan servicing could be contracted; loans would be owned by the federal government and no guarantee or special allowance would be necessary. Institutions would be compensated for costs such as loan origination.

More flexible repayment options would be established for borrowers with a high ratio of debt to income after leaving school, including a requirement that lenders provide a graduated repayment schedule for all borrowers who request it.

Recognizing the erosion in the value of loans due to inflation over the past decade, loan limits would be raised, restricting limits for freshmen and permitting larger increases for sophomores, juniors and seniors. Limits for Perkins and Stafford loans would be set at: $3500 for freshmen, $5000 for sophomores, juniors and seniors, $10,000 for graduate and professional students, with aggregate limits of $23,000 for undergraduates and $73,500 for undergraduate and graduate. SLS limits would be $4000 for freshmen, $6000 for sophomores, juniors and seniors, $10,000 for graduate students, and $78,000 aggregate. PLUS limits would be removed entirely.

Stafford interest rates would be made variable after the fourth year of repayment (e.g., T-bills plus 3.25 percent adjusted annually, with a limit of 12 percent). This would continue the incentive for lender participation and provide cost sharing between the borrower and the government in the latter years of repayment to minimize federal costs attributable to loan subsidies.

Need Analysis. Specific proposals will be made for a simplified need analysis system which improves equity in the treatment of assets and the determination of student contributions, as well as for an improved delivery system including a single, simplified application form.

To assure that the Education Department maintains adequate staffing support for the student aid programs, amendment of the Title IV General Provisions is recommended to establish a line item in the Department's Salaries and Expenses budget for administration of the student aid programs.

Regulatory Reform. To reduce the regulatory burden and assure that the community is consulted in advance on a regular basis as part of the process of developing regulations, several steps are recommended including:

The Secretary would be required to establish, in consultation with the community, performance-based standards for the administration of Title IV programs by different types of institutions, including criteria for waiving regulatory requirements for institutions which meet appropriate alternative standards.

The Secretary would be authorized to make demonstration grants to institutions to encourage innovative approaches that improve the administration and reduce the regulatory burden of federal programs.

The Department would be required to engage in negotiated rulemaking (see Title XI).

Strengthening Program Management. To address the problems of rising default costs and mismanagement of the student aid programs which have undermined the credibility, recommendations are made to strengthen the integrity of the programs:

The Department would be required to develop objective performance standards in consultation with the higher education community, including reliable criteria for identifying institutions experiencing problems in administering the student aid programs.

The Secretary would be given explicit authority to set standards for recognition of accrediting agencies for purposes of federal student aid eligibility.

The Secretary would be authorized to establish, in cooperation with the states and the State Higher Education Executive Officers, standards for licensure of postsecondary institutions, including appropriate oversight and investigation of complaints.

Two programs are recommended for repeal: the authorization for "Assistance to Institutions of Higher Education" which was included in the Act in 1972 and has never been funded, and the Income Contingent Direct Loan Demonstration Project, added in 1986. In view of the overriding priority for funding of student assistance, it is not realistic to retain in the statute the complex formula for cost-of-education payments based on the number of federally-aided students and the type of institution. The Income Contingent loan program would be replaced by proposed authority for more flexible repayment provisions for all federal loans.

Title V

The current program would be revised and simplified into three interrelated parts:

Part A, Recruitment of Underrepresented Populations into Teaching, would provide an expansion of Douglas scholarships through the addition of a Teacher Corps program to recruit minorities into teaching. The mid-career training program would be revised to give priority to mid-career minorities.

Part B, Hawkins Partnership Schools for Professional Practice and Research, would establish a new program of partnerships between colleges and schools to promote the restructuring of elementary/secondary education and collegiate-based teacher preparation. The goal would be to establish one partnership school in each congressional district.

Part C, Teacher and Faculty Professional Development, would modify the Christina McAuliffe Fellowship program to permit Fellows to work in Partnership Schools. National Professional Development Academies would be authorized to provide professional growth activities for K-12 teachers, administrators, and higher education faculty engaged teacher training.

Title VI

The authorized activities of the national resource centers would be amended to include outreach activities with a broad spectrum of professional schools, and to emphasize that the centers be national in scope and limited in number.

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The unfunded second-tier FLAS program would be replaced with one less administratively complex.

The undergraduate programs would be revised to provide seed funding for the creation of new programs, and to stabilize programs of recognized excellence.

A new subsection would be added to the summer language institutes program to authorize institutes for foreign area studies.

The research section would be modified to reflect emerging challenges and to include activities viewed as critical to the further development of language and area studies and other international fields.

The periodicals program would be amended to permit the collection of timely research materials that may exist only in manuscript form.

The equitable distribution of funds section would be modified to encourage enhanced funding of undergraduate programs.

Linkages with overseas institutions would be authorized for the national resource centers, undergraduate, and business programs.

The authority for educational and cultural exchanges under Section 102(b)(6) of Fulbright-Hays would be transferred to the Education Department, which administers the program. Eligibility would be extended to persons whose careers will have an international dimension.

Title VII

Priorities would be amended to permit funding of projects whose primary purpose is not necessarily one of the priorities; the priority for library and research facilities would emphasize projects that utilize new technologies and promote preservation of library materials, and the priority for renovation would be modified so that it is not mandatory.

The authorization for Part A (Grants for Undergraduate Facilities) and Part B (Grants for Graduate Facilities) would be increased, and the elaborate Part A system of establishing state plans and allotting funds among the states would be replaced with the simpler Part B mechanism for peer review.

Parts C (Loans for Academic Facilities) and F (Loans for Housing and Other Facilities) would be combined into a single program to support both undergraduate and graduate academic facilities, housing, and related support facilities.

Title IX

Two purposes are stated: to enhance the quality and diversity of college and university faculty, and to expand graduate opportunities for underrepresented groups.

The Department's graduate and professional programs would be consolidated administratively to ensure that they are carried out consistently with academic practices. The Department also would be granted "excepted hire" authority to strengthen staffing by recruiting campus administrators experienced in graduate program administration.

The summer research internships would be expanded to include women; the financial need restrictions governing internship stipends would be removed; the Department would be directed to disseminate information on participants in the program so that institutions can better recruit persons from groups underrepresented in graduate eduction.

The Harris Public Service Fellowships would be expanded to support postbaccalaureate study for women and minorities in a broader range of programs leading to careers in which they are underrepresented. This would be accomplished by creating a two-year grant for masters or professional study with provisions similar to the Harris PhD program. (below)

The cap on stipends for the masters and professional program and for Grants to Institutions and Individuals To Enhance the Quality and Diversity of Academic Faculty would be removed, to bring the Department's policy into accord with that of all other federal agencies supporting graduate students; the Department would be directed to set levels on the basis of their purpose of attracting and supporting exceptionally talented students.

The National Need traineeship program would be focused on areas of projected faculty shortage instead of specific fields. A matching requirement for a university-funded year of supervised teaching is added.

A doctoral traineeship leading to faculty careers for women and minorities would be established to complement the masters and professional program established under Part A. It would provide support for an initial two years, with an added year of dissertation support; a university matching requirement would be added to provide trainees with two years of support, at least one of which would be a university-funded, supervised teaching experience.

Title XI

The current authority would be repealed. (Part A activities can be funded under Part B, which is proposed for inclusion in Title I together with revised Part C provisions to clarify eligibility of all urban institutions of higher education.)

Title XII

A requirement would be added to the General Provisions that negotiated rulemaking be used in the development of regulations for HEA programs whenever it is in the public interest.

Senator THURMOND. Thank you very much, Dr. Bryan. We are glad to have you with us.

Mr. BRYAN. Thank you.

Senator THURMOND. We will now move on to the next witness, Dr. Luns Richardson, president of Morris College.

Good afternoon, we are glad to have you with us.

Mr. RICHARDSON. Thank you, Senator Thurmond.

We are very pleased to be here this morning on behalf of Morris College and its 862 students, 90 percent of whom are on financial aid. We want to thank you for this opportunity and for your long years of sensitive and effective support of equal educational opportunities for all people, including minorities.

Senator THURMOND. Thank you very much.

Mr. RICHARDSON. Especially, do we thank you for your direct support of Morris College over the past 12 years in acquiring about $8 million worth of new buildings and facilities, which has enabled the institution to greatly increase the quality of its education and services.

By the way, you will remember that you are an honorary alumnus of Morris College, and we are very pleased to see you this morning.

Senator THURMOND. Thank you very much.

Mr. RICHARDSON. As I reflect back on the days before the Higher Education Act, when I was a student at a UNCF college, and compare it with what the colleges have done today, I can truly affirm that the act has had a profound impact on the development of the black community. This, in turn, has had and will continue to have a profound impact on the growth of our Nation's economy and on the productivity of its labor force.

What features of the act should be continued in the proposed reauthorization and what features should be modified to better serve the purposes of this important legislation? With regard to title III of the Act, I would urge the following:

One, continue to award grants to historically black institutions on a noncompetitive basis, in accordance with part B of the current title III regulations.

Two, continue the percent formula for establishing the size of an institution's program grant on the basis of 50 percent of the grant, based upon the number of Pell grant recipients at the institution during the preceding year, and 25 percent, based upon the number of graduates of the institution during the preceding year.

However, I would modify somewhat the current provision whereby the final 25 percent of the program grant is based solely upon the percentage of the institution's graduates who are in attendance at a graduate professional school and pursuing a degree program in a discipline in which blacks are under-represented.

I recommend that that category be retained, but that it be expanded to also include the number of the institution's graduates of the previous 4 fiscal years who were filling positions as fully certified teachers in public elementary and secondary schools within the United States. I recommend this change because there is clear evidence that blacks have become seriously under-represented in the Nation's teaching staff in the public schools and, as a result, many of our colleges are focusing their efforts on getting more of

our students who are not planning to enter graduate school in their future to enter teacher education programs, when successfully completed.

Three, continuing in effect the revisions that were made during the 1986 reauthorization, which permitted for the first time the use of title III funds for physical plant renovation or new construction, which removed some of the previous restrictions on using such funds for operating the development office and for carrying out programs of nonacademic staff development.

Four, continuing in effect the part C endowment program, which has the greatest potential for moving participating colleges toward self-sufficiency, which is one of the stated goals of the legislation.

However, I would suggest that the burden on the colleges of matching the Federal endowment award on a dollar-for-dollar basis be changed to one that requires the college to match the Federal endowment award at whatever level the award is, at a ratio of $2 for every $2 of Federal money received.

I suggest this change, because it appears that many private foundations have begun to shift their giving to black colleges away from direct grants to support programs, and more toward matching grants to support endowment building.

With regard to title IV of the Act, which in part establishes the student financial aid programs, I would make the following recommendations:

One, stop guaranteeing loans to 18- and 19-year-old low-income freshmen and sophomore students, but continue guaranteeing educational opportunity to these students. Making loans to low-income first- and second-year college students will insure a continuation of the high default rates that the Department of Education has been reporting, If educational opportunities are continued to be guaranteed to such students, it will mean initiating a policy of providing all financial aid to students strictly through grants and work-study programs at that level.

Two, limit guaranteed student loans to junior and senior students, because they have relatively high rates of success in obtaining a degree and ultimately obtaining high employment. Relative to this, I would recommend that the ratio of loans to grants for such junior and senior students be established at about a 50/50 ratio.

Three, do not penalize colleges for the failure of their students to repay loans that they obtained from financial institutions. The colleges have nothing to do with either certifying the credit worthiness of the students or with authorizing approval of the loans. The defaulting students should suffer consequences and already do, through getting a bad credit rating, through denial of further access to student loans and through having tax refunds that are due him or her diverted to loan repayments.

Senator, these are a few of my suggestions and, again, we want to thank you for this hearing and to thank you for your concerns and your leadership. Let me conclude by saying that the reauthorization of this act will help many of our young people and, finally, the black community to improve its economic status. It is a very worthy cause.

Thank you.

Senator THURMOND. Thank you very much, Dr. Richardson, for your presence.

[The prepared statement of Mr. Richardson follows:]

PREPARED STATEMENT OF MR. RICHARDSON

For the 41 private and historically Black colleges that currently compose the membership of the United Negro College Fund and for the nearly 50,000 students who currently attend these various institutions, the Higher Education Act of 1965 and the various amendments that have been added to it over the years have been of overwhelming significance. Title III of the act has done much to assist our member institutions in strengthening the quality of their academic and administrative programs and in building their endowment funds, and title IV of the act has done much to assist our students in overcoming the financial and educational disadvantages which many of them have as they seek to pursue and complete a college degree. As I reflect back on the days before the Higher Education Act when I was a student at a UNCF college and compare it with what the colleges have become today, I can truly affirm that the act has had a profound impact on the development of the black community, and this in turn has had and will continue to have a profound impact on the growth of our nation's economy and on the productivity of its labor force.

What features of the act should be continued in the proposed reauthorization and what features should be modified to serve better the purposes of this important legislation? With regard to title III of the Act, I would urge the following:

(1) Continue to award grants to historically Black institutions on a non-competitive basis in accordance with part B of the current title III regulations.

(2) Continue the present formula for establishing the size of an institution's program grant on the basis of 50 percent of the grant being based upon the number of Pell grant recipients at the institution during the preceding year and 25 percent being based upon the number of graduates of the institution during the preceding year. However, I would modify somewhat the current provision whereby the final 25 percent of the program grant is based solely upon the percentage of the institution's graduates who are in attendance at a graduate or professional school and pursuing a degree program in a discipline in which Blacks are underrepresented. I recommend that category be retained but that it be expanded to also include the number of the institution's graduates of the previous 4 fiscal years who are filling positions as fully certified teachers in public elementary or secondary schools within the United States. I recommend this change because there is clear evidence that during the past decade, Blacks have become seriously underrepresented on the teaching staffs of the nation's public schools. As a result, many of our UNCF member colleges are focusing their efforts on getting more of our students who are not planning to enter graduate school in the near future to enter Teacher Education Programs which when successfully completed almost assure immediate placement in a teaching position in the public schools.

(3) Continue in effect the revisions that were made during the 1986 reauthorization which permitted for the first time the use of title III funds for physical plant renovation or new construction and which removed some of the previous restrictions on using such funds for operating the development office and for carrying out programs of non-academic staff development.

(4) Continue in effect the part C Endowment Program which has the greatest potential for moving participating colleges toward self-sufficient which is one of the stated goals of the legislation. However, I would suggest that the burden on the colleges of matching the Federal endowment award on a dollar for dollar basis be changed to one that requires the college to match the Federal endowment award at a ratio of $1 for every $2 dollars of Federal money received. I suggest this change because it appears that many private foundations have begun to shift their giving to black colleges away from direct grants to support programs and more toward matching grants to support endowment building. Many colleges will have to forego either title III endowment programs or foundation endowment programs if they are stretched too far in their obligations to raise matching funds.

With regard to title IV of the Act, which in part establishes the student financial aid programs that are so vital to both black colleges as well as to black students, let me make a few broad policy recommendations that are suggested by the considerable debate and controversy that has revolved around these programs.

(1) Stop guaranteeing loans to eighteen- and nineteen-year old low-income freshman and sophomore students but continue guaranteeing educational opportunities

to such students. Making loans to low-income first- and second-year college students will ensure a continuation of the high default rates that the Department of Education has been reporting, and if educational opportunities are to continue to be guaranteed to such students, it will mean initiating a policy of providing all financial aid to such students strictly through grants and work-study programs.

(2) Limit guaranteed student loans to junior and senior students because they have relatively high rates of success in obtaining a degree and ultimately in obtaining employment. These are the conditions that are necessary to ensure a relatively low rate of loan default, and such default is made even less likely by the fact that the total loan burden on the student would be limited to that incurred over just 2 years instead of over 4 years. Relative to this I would recommend that the ratio of loans to grants for such junior and senior students be established at about a 50/50 ratio.

(3) Don't penalize colleges for the failure of their students to repay loans that they obtained from financial institutions when the colleges have nothing to do with either certifying the creditworthiness of the students or with authorizing approval of the loans. The defaulting student alone should suffer consequences and already does through getting a bad credit rating, through denial of further access to student loans, and through having tax refunds that are due him or her diverted to loan repayment.

During the decade of the 1980's the percentage of what high school graduates who entered college rose from 32 percent to 38½ percent while the percentage of black high school graduates who entered college remained at a static 28 percent. Is this because black high school graduates didn't see the advantages of higher education in the way that their white counterparts did? Definitely not. What black high school graduates did see and had to focus on more clearly than their white counterparts was that the earlier benefit of grants to attend college had now been replaced by the much more substantial burden of loans. In the face of this burden, many black students "defaulted" on their educational aspirations and on their futures by choosing not to borrow heavily to go to college for fear of defaulting instead of their student loans.

What resource did such students have if they still hoped that someday they might earn a college degree? The answer to that question came through very clearly in the media during the months of Operation Desert Shield and Desert Storm. Thee were the many stories of a regular and reserve military force that unlike Viet Nam was made up of men and women who were almost all high school graduates and of whom 30 percent were black. These were followed by other studies about why did many of these young men and women join the regular military or the reserves or the National Guard. We all heard the answers. "I joined the regular military to further my education in the service and to earn veteran's benefits that would pay for college," or "I joined the reserves to help pay my way directly through college." It seems that as far as many young black people are concerned, the Department of Defense is currently providing a better program of student financial aid than is the Department of Education, and there is no evidence that these young people are in any way "defaulting" on carrying out their military obligations.

Though the Department of Defense is not supposed to operate primarily as an agency to provide student financial aid for the black community, the present shape of federal financial aid programs has caused it to fill that role unintentionally. However, the planned reduction in the size of the Armed Services during the 1990's means that even this indirect opportunity is now going to diminish. The question that should now be addressed is whether the Department of Education can begin to take up the slack in direct grants for young black people who want to go to college that is resulting from the downsizing of the Armed Services. The pending reauthorization of the Higher Education Act offers an important opportunity to achieve this and to get the rate of college attendance among black high school graduates during the 1990's off the static rate of 28 percent where it has remained stuck during the decade of the 1980's.

Thank you Mr. Chairman.

Senator THURMOND. Our next witness is Mr. Pernell Smith, dean of Clinton Junior College.

Mr. SMITH. Senator Thurmond, I am Pernell Smith, dean of Clinton Junior College, and I represent Dr. Morley. She requested that I express her sincere appreciation to you for having requested her to be here today, to have recognized Clinton Junior College, and to

thank you for the interest that you have shown in education for the historically black institutions for a period of time.

Clinton is a very small 2-year or junior college that is located in Rock Hill, SC. It has an enrollment of approximately 100 students, and out of this 100 students, 96 percent of them are getting Federal aid. It would be completely impossible for them to attend college, if they were not provided this kind of financial assistance.

These students come from the most disadvantaged black families, and many of them certainly would not have any opportunity to attend institutions of higher education, if it were not for the assistance that they are getting.

Clinton is a nonaccredited 2-year college, therefore, it is ineligible for title III programs. Being ineligible for title III programs, the money that it gets through student assistance cannot be used for the improvement of physical plant, as we have heard previous testimony that concerns those schools that are eligible for title III programs.

However, even though it is not eligible to receive title III funds to help improve the physical facilities, the title IV funds or the funds that are provided for student assistance, with the Pell grant and also the student guaranteed loans are accessible. The college is in a position to use funds that it would use in place of these funds, in order to do some of the construction that is necessary in order to enhance the physical plant.

Just this year, a new library has been built, and all of the established buildings now are in the process of renovation. After these buildings have been renovated, Clinton then will be in a position to upgrade its curriculum or strengthen its faculty. After having strengthened its faculty or upgraded the curriculum, it is going to go through a self-study program. It plans to become a candidate for accreditation with the Southern Association of Colleges and Schools.

Clinton is funded by the African Methodist Episcopal Zion Church. They have assigned a bishop to this particular district that is quite far-sighted and educationally minded, and he has increased the funding here tremendously. So, with his leadership, we are certain, with the help of the Federal programs, that Clinton can do more than it has done previously, in order to upgrade its entire program that will do more for the students that are enrolled there, and to improve their educational lot.

We concur with the expressions that have been made here relative to increasing the Pell grant aid for students and to at least do some careful study relative to the defaults. We are aware of the fact that there are students, especially in that freshman year, that seemingly have serious difficulty making the adjustments that they should make, and our experience has been that if more were done for the entering freshmen and then probably for the sophomores also, it would eliminate some of the difficulty that we are having trying to follow them up, when they have not paid their loans as they should have.

So, we certainly go on record recommending highly that the reauthorization of this Federal program continue and that more help is provided at least for the freshmen, and that careful study should

be made of the default program, so as to at least not add to that particular problem.

We want to thank you very kindly.

[The prepared statement of Mr. Smith follows:]

Prepared Statement of Mr. Smith

Mr. Chairman, Members of the Subcommittee on Education of the Labor and Human Resources Committee of the Senate, I am Pernell Smith, dean of Clinton Junior College representing Dr. S.V. Moreland, president of the College. She asked that I express her kindest regards to you for having invited her to attend this most important meeting.

Clinton Junior College was founded in 1894 by Rev. Nero A. Crockett and Rev. W.M. Robinson, two A.M.E. Zion Church Ministers in the York Community, now the town of York, SC. The school was named in honor of Bishop Isom Clinton, a dynamic educational religious leader in the state. According to an article published in the Lancaster News in 1988, Bishop Clinton was born a slave on the plantation of Irwin Clinton, a planter and laywer, in Lancaster County, May 24, 1830.

Clinton Junior College is an A.M.E. Zion Church supported Junior College. During the General Conference of 1896, it was received as a connectional institution and was incorporated as Clinton Normal and Industrial College by the state of South Carolina. The charter was amended in 1956 and the name of the school became Clinton Junior College. Clinton has an enrollment of 88 students in its Associate in Arts degree program including the Continuing Education classes, with 96 percent of its Associate in Arts degree program students receiving Federal Student Aid. The Mission of Historically Black Colleges and Universities:

The mission of the historically Black colleges and universities has been to educate and train individuals to become intelligent, responsible and productive citizens in a democratic society. These institutions serve a student population largely composed of the socio-economically and educationally deprived Black disadvantaged students to achieve their career aspirations such as teaching, the ministry, dentistry, medicine, pharmacy, law, farming, veterinary medicine and other professions.

Senator Thurmond, we strongly urge you and the, "Labor and Human Resources Committee", to work diligently and dedicatedly for the Reauthorization of the Higher Education Act to recommit the Federal Government to insure grant and aid to low income disadvantaged minority students. This act helps meet the needs of those who have been by-passed on the road to a realization of the American dream by not having developed the basic skills to cope with this period of high automation and new technology.

According to current information, we have more Black males in prison than we have enrolled in our colleges and universities of higher education. These people are a burden to the tax payers and the economy of this nation. With the increasing cost of higher education, it will be impossible for Clinton Junior College to keep its doors open to train the economically disadvantaged student population it serves without Federal funding.

Unless, Federal funding is provided for students of low income families, we will be thrown into a worse economic and cultural slump than we are in.

Recommendations

(1) In view of a 2.6 billion dollar default in guaranteed student loan payments, we strongly recommend that student guaranteed loans to freshmen eighteen year old students from low income families be discontinued. It is our opinion that guaranteed student loans to freshmen from low income families will continue this high default rate.

(2) We recommend that the Pell grant award be increased to $4,000.00. This increase will off-set the imbalance between the grants and loans.

(3) We recommend College Work Study and Supplemental Educational Opportunity Grant be increased to help off-set the imbalance between grants and loans. These programs also provide work experiences for disadvantage low income students and aid with college expense.

(4) We recommend the continuation of the Student Guaranteed Loan Program beginning with the sophomore year of college. These students have had one year of college training and the college personnel has records to better identify responsible and dependable students. Therefore, it is our opinion that this will decrease the default payment rate.

(5) We strongly recommend that the Reauthorization of the Higher Education Act is continued because this is the only hope for the low income minority students to develop the competences to perform efficiently in a democratic society.

We are grateful for the opportunity to have participated in this most encouraging program.

Senator THURMOND. Thank you very much, Mr. Smith. We are glad to have you with us.

Now, we have a few questions here. The first question I have is what percentage of students at each of your respective institutions receive Federal financial aid? Maybe if you could turn that information over to Mr. Talbert, if you could write me a letter with the attention of Mr. Talbert and answer that question, what percentage of students at each of your respect institutions receive Federal financial aid?

The next question to you also furnishes to Mr. Talbert: Do you find very many of your students to be first-generation college students, in other words, the first in their family to attend college? Either what percentage or how many out of the total student body are first-generation college students, first in the family to ever attend college?

[Questions and answers referred to follows:]

VOORHEES COLLEGE
Office Of The President

MEMORANDUM

TO: Mr. Kent Talbert (Office of Senator Strom Thurmond)

FROM: Leonard E. Dawson
President

DATE: May 15, 1991

RE: WRITTEN RESPONSE TO QUESTIONS

/ / /

As per your request, I am responding to the two (2) questions in your fax dated May 13, 1991.

1. The percentage of students enrolled at Voorhees College that received some form of federal financial assistance was 94%.

2. 90% of our students are first generation college students.

If you desire any additional information, please do not hesitate to contact me.

Thank you.

/t

Denmark, South Carolina 29042 (803) 793-3351
FAX: (803) 793-4584

42-924 600

MORRIS COLLEGE

North Main Street
Sumter, South Carolina 29150
803/775-9371

Office of the President

May 15, 1991

The Honorable Strom Thurmond
United States Senate
SR-217 Russell Senate Office Building
Washington, DC 20510-4001

ATTENTION: Mr. Kent Talbert

Dear Senator Thurmond:

This is in response to your request for additional statistical information following completion of the recent Field Hearing on Reauthorization of the Higher Education Act.

Our records indicate that 92% of students currently enrolled at Morris College receive Federal financial aid. Our records also indicate that 65% of students currently enrolled at Morris College are the first generation in their families to ever attend college.

If you are in need of any further information on these matters, please let me know.

Sincerely,

Luns C. Richardson

Luns C. Richardson
President

LCR:bk

FROM: SCSC ADMIN. BLDG. TO:9282224138821363839P MAY 17, 1991 11:54AM #481 P.02

South Carolina State College
300 College Street Northeast
ORANGEBURG, SOUTH CAROLINA 29117
(803) 536-7013 / 7014

ALBERT E. SMITH
President

Fax: (803) 533-3622

MEMORANDUM

TO: Mr. Kent Talbert

FROM: Albert E. Smith AES
President

DATE: May 17, 1991

RE: **RESPONSES TO QUESTIONS IN FAX OF 5/13/91**

As per your request, I am providing responses to the two questions from the Higher Education Reauthorization Hearing held in Orangeburg on April 30, 1991.

Question #1: **"What percentage of students at your institution receive Federal financial aid?"**

Answer: For 1989-90, 84% (4,003) of the total student body at South Carolina State College (4,748) received Federal financial aid. While the data is not complete for 1990-91, it is projected that the figure will be 85-88%.

Question #2: **"Do you find very many of your students to be first-generation college students, in other words, the first in their family to attend college, either what percentage or how many out of the total student body are first-generation college students, first in the family to ever attend college."**

Answer: For 1990-91, seventy-five percent (75%) of the total student body at South Carolina State College are first-generation college students.

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BENEDICT COLLEGE
HARDEN AND BLANDING STREETS
COLUMBIA, SOUTH CAROLINA 29204

MEMORANDUM

TO: Mr. Kent Talbert
Office of Senator Strom Thurmond

FROM: Ruby W. Watts
Vice President for Academic Affairs

RE: Information Requested

DATE: May 17, 1991

Below is the information you requested to complete the Transcript of Record for the Subcommittee Hearing held in Orangeburg, South Carolina on April 30, 1991:

Percentage of students at Benedict College receiving Federal Financial Aid - 88%

Percentage of students at Benedict who are first generation college students - 60%

Please let me know if you need further information.

RWW/ed

Equal Opportunity in Education and Employment
Without Regard to Handicap, Race, Sex, Color, Creed or National Origin

08/17/01 11:28 ☎803 328 6390 ☎001

CLINTON JUNIOR COLLEGE
UNDER SUPERVISION OF CHRISTIAN EDUCATION DEPARTMENT
AFRICAN METHODIST EPISCOPAL ZION CHURCH
ROCK HILL, SOUTH CAROLINA - 29730

OFFICE OF DEAN-REGISTRAR

May 19, 1991

Fax Number: 202-224-1300
ATTN: Mr. Kent Talbert

Senator Strom Thurmond
C/O Mr. Kent D. Talbert
Counsel, Labor and Human Resources
Committee
217 Russell Senate Office Building
Washington, DC 20510

Dear Senator Thurmond:

We received your letter requesting information on the percentage of students receiving Federal Aid and the percentage that are first generation college students in our respective institutions.

According to our records at Clinton Junior College, 96% of our student enrollment receive Federal Aid and 98% are first generation college students.

Sincerely,

Pernell Smith

PS/gm

ADDITIONAL RESPONSE TO

SPECIFIC QUESTIONS

Question 1 : What percentage of Allen University students received Title IV, Student Financial Aid Assistance?

Response : 92 percent (92%)

Question 2 : How many are first-generation, college-going students?

Response : 85 percent (85%)

Question 3 : How has the rising cost of education affected student enrollment?

Response : The rising cost has had a serious, adverse affect. In that the average percentage of students who attend Allen University qualify for Federal Financial Assistance (92%) and are first-generation, college-going students is 88.50%, many have to drop-out of college due to a two-fold problem:

1. Inability to pay the portion of tuition and fees (approximately $2,000) not covered by Student Financial Aid.

2. The need to work to help support the family financially.

Question 4 : What can be done to hold the line on the rising cost of education?

Response : Give a meaningful financial incentive or incentives to colleges which have come up with creative means of helping students, in general, and low-income students, in particular, meet the cost of their education.

Allen University has such a program which assists students in meeting the cost of their education ($4,096.00 per semester) via some creative, innovative support programs.

Question 5 : What has been the impact of Title III on the college?

Response : Allen University does not participate in the Title III Program.

The impact on participating colleges has been more than positive and crucial. In some cases, the impact has meant changing the status of the institution from a DECLINING college/university to a POSITIVELY DEVELOPING institution of higher education.

This assertion is based on this writer's experience as a former U.S. Department of Education Official, College Academic Dean, Consultant to the Research Triangle Impact Study on Title III and now as President of a small, Historically Black College.

Question 6 : Of all Title IV, Student Financial Aid Programs, which two are most important?

Response : Each of the programs is terribly important. The importance of the programs (Pell; CWS;

SEOG) is based on the extent to which funding from each program represents a vital leg in developing the student's financial aid package in a manner which enables students/parents to meet the basic cost of tuition and fees.

It is the interaction of the funding from such programs which enable the college to provide at least limited assistance in meeting the TOTAL cost of the student's education. Without support for those costs not directly associated with tuition and fees, e.g. books and supplies; low-income and/or first-generation, college-going persons often find it impossible to complete their undergraduate degree.

IN SHORT: Each program (Pell; CWS; SEOG) is MOST important.

However, in a "hair-splitting" priority ranking, the "thin-line" ranking in terms of importance is as follows:

- Most Important : Pell Grant

- Second Most Important : College Work Study (CWS)
- Third Most Important : Supplemental Educational Opportunity Grant (SEOG)

Question 7 : What is the cause of the high default rate?

Response : The answer is complicated. There are many variables which attend this problem. Moreover, there is the problem of interaction between and among these several variables, e.g.

- The socio-economic status of loan recipients
- The academic classification of loan recipients

- The inherent conflict which exist relative to the purposes of higher education and the purposes of loan collection organizations, i.e. financial and lending institutions (Banks).

- The fragmentation within the U.S. Department of Education Bureaucracy relative to the management and administration of the various student aid programs.

- The time and cost of non-expert loan collection organizations (colleges and university) attempting to develop both the requisite apparatus and expertise for effective loan collection.

- The interaction of the above specified variables and others which could be added.

Question 8 : What can be done to significantly reduce or eliminate the loan default program?

Response :

- Stop making loans to freshman and sophomore students as a general rule.
- Allow for a simple, straight-forward flexibility or exception to the general "no loans to freshmen and sophomore students" rule.
- Develop specific guidelines (simply stated) for exceptions to the general "no loans to freshmen and sophomores" rule.
- Increase the level of grant entitlement programs, e.g. Pell, SEOG; CWS.
- Change the default assessment procedures from a percentage basis to an actual dollar basis. (An institution with a very higher percentage loan default rate may, indeed, have a very low comparative amount of dollars involved.

  The common-sense rationale for this observation is reflected in the mathematical calculations presented herein.

- 62 percent (62%) of $25,000 = $15,500
  (Conversely)

- 18 percent (18%) of $125,000 = $22,500

- Enact a common-sense default loan pay-off, reduction/incentive program (The idea would be to recapture a portion of the default monies quickly by providing a meaningful incentive to those institutions involved in the program. A spin-off benefit from such a program would be a massive reduction in time, effort and costs of all concerned. The same amount of time, effort and cost could then be re-directed towards a more positive initiative of developing carefully constructed "ounce of prevention" plans and strategies for the future).

Collie Coleman

Collie Coleman, Ph.D.
President
Allen University
Columbia, South Carolina

Senator THURMOND. Now, you know that the cost of college education has risen considerably over the past decade. How has the rise in costs affected enrollment at your institution, and what do you suggest be done to help hold the line on costs? We might just let you answer that question Now, how has the rise in costs affected enrollment at you institution and what do you suggest be done to hold down the costs?

Mr. Smith, do you have an answer on that?

Mr. SMITH. Senator Thurmond, first let me say that the costs associated with going to college or attending college is continuing to increase and everything else is, as well, and we recognize that.

I think the thing we need to do is be in a position to assist our students in satisfying that cost. Now, I am not too sure that we can cut costs very much on our campuses. I think, though, there are some things that can be done associated with the whole effort of providing that education. Let me give you one.

As a member of the NCAA Council, we are finding on our campuses that the athletic cost is increasing because the demands are being placed on us by Federal agencies in Washington to provide information relative to disclosure. Now, we don't mind providing that information, but what has happened is many institutions across this country have had to set up what they call compliance offices, in order to comply with the requests for information on student athletes.

Senator THURMOND. Student athletes?

Mr. SMITH. Student athletes, and I would certainly suggest, Senator, that that be looked at very closely.

In the NCAA Council in Kansas City, that was one of the central issues that we discussed at the last meeting of the NCAA Council. It has gotten so bad——

Senator THURMOND. All colleges in the United States?

Mr. SMITH. All colleges and universities across this country—the problem has gotten so bad, that Dick Schultz, who is the National Director of the NCAA, said to us at the meeting, that if the Federal Government continues to request additional information from our institutions, and make those great demands for information, it is possible that the NCAA will just have to stop requesting information for its purposes. I did want to make that comment to you.

Now, the other thing that——

Senator THURMOND. Well, what have they done with that information?

Mr. SMITH. Well, they are asking for information, for example, relative to the graduation rate of our students, which we do not minding giving. We think it should be given. But what we would suggest is, rather than for us having to give that information directly to the Federal Government, we would prefer to process that information through the NCAA and let the NCAA handle the reporting part of it to the government.

What it looks like now is that it is going to continue to increase on each one of us as institutions to provide that kind of information on an ongoing basis to the Federal Government. We would suggest that the Federal Government depend upon the NCAA and agencies like that to provide that information.

Now, one other thing I wanted to say relative to cost, there is a tremendous amount of cost associated with handling financial aid on our campuses, and as a result of it and because of the amount of information that is requested, a lot of students are not able to satisfy all of that paperwork.

I wanted to make a suggestion that we look at some kind of centralized assistance office in each State that will work with the colleges and universities and the individual parents, to assist them in, number one, learning how to fill out these forms, and number two, assisting them in doing so.

Now, I think there certainly can be some consideration given to that approach, rather than just leaving it up to the institutions to try to get this information out, leaving it up to the institutions to help process the information, and leaving it up to the students who, in many instances, do not have help at home to try to fill these forms out. I think we are losing some very valuable natural human resources, people that could be productive in the future, but they are not able to satisfy those requirements.

Thank you.

Senator THURMOND. I think Dr. Dawson wanted to make some remarks on that.

Mr. DAWSON. Senator, I would just like to say that the rising cost of education issue is one that affects this group of colleges disproportionately. It costs us more money every year to do business, because the salaries go up, the cost of food goes up, everything goes up, it costs us more money every year, just as it does every other institution, disproportionately, though, we are affected because we are prohibited, because of our clientele, from passing on those costs to our students. We have to keep education affordable, which means that we have to keep it within reach, so we are disproportionately affected by that.

For instance, at Voorhees College right now, it costs the student $5,992 to go to college there, and we have to provide that education for that cost, because of the clientele that we serve. So, we cannot pass the rising costs on to our students and we are being disproportionately affected by that, which is why increases in title IV funds are so very, very important to us. And when I talk about the $4,000 Pell entitlement, it is for that purpose and just for that purpose, because we cannot pass these costs on in the way that we should be able to.

Senator THURMOND. Any of you supported by the denomination churches, can you get them to help more?

Mr. DAWSON. That is a good question. I wish I could get you to go with me to try to get that done, sir. [Laughter.]

We, by the way, have been having the same problem with the man in the pew. You see, he is hit in the pocket the same way and that money that is getting to the national church is not as much it has been, so we are having to take a look at the budget of the national church, and we are being affected by that, also. We have nowhere else to turn, sir.

Senator THURMOND. Thank you very much.

I would be glad to hear from any of the rest of you on this question.

Mr. RICHARDSON. Well, Morris is a small private institution supported by a church denomination in this State, and, of course, we face the same problems as those indicated by President Dawson, and we have to reevaluate our costs every year.

As I always say to the faculty and staff, we have to cut all the fat that we can find out of the budget and we must rely heavily on fund-raising from private sources and all that we can get from Federal sources, because our students pay only about 44 percent of the cost of attending Morris College. We have to raise the rest from those sources, because they are usually low-income students, and 90 percent of our students are on financial aid, and at least 60 percent of our students are first-generation college students, at least 60 percent of them, and we have to keep this in mind.

Of course, we try to raise more money for scholarships. We have special efforts from various groups and churches and fraternities and sororities and alumni to raise scholarship money for our students and, of course, we encourage student employment as much as we can, including our cooperative education program, which has been a great help to many of our students.

Senator THURMOND. Can you get the community to give employment to the students when they are not in classes?

Mr. RICHARDSON. Yes, we have pretty good success in the local community in getting employment.

Senator THURMOND. How about the rest of you on that subject?

Mr. DAWSON. All things are not possible in Denmark, no transportation system, very few job opportunities are available. At Voorhees College, technology is the biggest game in town, and there is just not that option for us.

Mr. SMITH. Senator, we have had relatively good success in Orangeburg in having our students employed across this community. I would suggest, though, that we look at ways and means of better utilizing our work-study money——

Senator THURMOND. The what?

Mr. SMITH. The work-study money, increasing the level so that we can use more of that money for students, to employ more students on our campuses. Right now, we have a limit in terms of how much of that money can be used for work-study.

Mr. COLEMAN. Senator Thurmond, the issue, in my judgment, is very basic. There has to be a subsidy overall to support historically black colleges. To use a very simple analogy is that, over the years, from inception, we have been playing catch-up and we do not have the basic financial support to put in place those items we need to get to start even.

It is kind of like computers. Computers can do a lot, but you cannot talk about expanding the use of computers until you get the first one. It is like going to the bank, you need to borrow money, but you cannot borrow money until you get some credit.

We think that the Department of Education needs to undergo—and I say that as a former member of that August body—it needs to be trained and educated about the reality of historically black colleges, and maybe it would mean sending some of the decision-makers or staff persons to spend a year on those campuses, to get an education on what is happening, and then once we can get some subsidy to get somewhat even, then we can take advantage of those

opportunities to get our students out there to subsidize the cost of education.

Senator THURMOND. Does anybody else have any remarks on this? Dr. Bryan.

Mr. BRYAN. I would add one comment. Of course, all of us know that the children of the jobless and children of the unskilled find the rising costs most difficult, and certainly we must never forget to use all of the strategies available to us to break the cycle of poverty and certainly do all that we can to promote access to education. I believe that certainly must be the core of the answer.

Not only that, we must do all we can to keep college tuition affordable, and if we could somehow get additional support to establish endowment programs, I believe that the kind of institution would do as much as we could to hold those costs down and keep our institutions affordable to those who need it very much.

Mr. DAWSON. Senator, I just want to say that you will not find any one of these institutions assembled here today caught up in the fix-fixing problem. You will not have that problem with any one of these institutions that are here today. [Laughter.]

Mr. SMITH. Senator, I wanted to make a suggestion. I really think we need a task force of people on our campuses working together to look at the whole issue of financial aid and looking at the waste involved, as well as the possibility of how it can be better used. I would recommend, as a part of the results of these hearings, that you consider appointing a task force to study for 1 year the whole issue of financial aid across this country and how it affects historically black colleges, how it affects other institutions, and how it can be better administered. I think there would be some very revealing information to come out of it.

Someone just mentioned having someone spend a year on the campus. Well, I think that we could certainly gain from the experience of all the people that have been involved for years in this whole area and take a look at it very closely to see if we cannot come up with some very viable solutions to the issue of how we can better utilize our financial aid programs.

Senator THURMOND. Mr. Sheheen, has anything been thought of along that line?

Mr. SHEHEEN. Senator, we have been on the study of financial aid in the State, and, of course, the State's resources have been stretched, so it has not been possible to implement any of the programs ensuing from that study.

What we do know is that South Carolina has the second highest tuition in the public institutions in the Southeast.

Senator THURMOND. You have what?

Mr. SHEHEEN. We have the second highest tuition in public institution in the Southeast, out of 15 States, and we are one of the highest in the country, and that is not becoming to a State that has a relatively low per capita income.

This brings me back to the Pell grant program, which is vital, and the one thing I am worried about, again, on the Pell grant program, is that there will be efforts made to extend the family income limits to the Pell grant program to families who really can pay their own way, and I urge you to be on guard against that, because I know there are proposals in Washington to extend that

family income limit up to the $50,000 and $60,000 range, and I do not think that is appropriate for Pell grants.

Senator THURMOND. What do you think is a reasonable amount?

Mr. SHEHEEN. Well, my own personal philosophy is that it should be geared to families with very modest income, $25,000 or less, perhaps. I do not have the statistical base to make the decision, but I certainly do not think that families with $50,000 or $60,000 income ought to have their children going to college subsidized by the Pell grant, and that worries me a lot, Senator.

Senator THURMOND. Any other remarks on this subject?

[No response.]

We will move on, then. One of the things we are continuing to hear from educators is that the traditional makeup of the study body on college campuses has changed over the past few years. For example, most students attending college today are generally older in age. Most students have a full or parttime job while in school, and most students are taking longer to graduate. Would each of you describe the general makeup of the student body at your institution and indicate whether or not you have noticed any peculiar changes in its makeup over the past few years.

Dr. Smith.

Mr. SMITH. Senator, currently we are experiencing a changing in our student body from the normal 18-year-old that comes to college and graduates around the age of 22 to a little older student who, number one, is older, number two, in many instances may or may not be married, and number three, is working and has a job. Now, as a result of that, we have decided to look at very seriously in the next 2 years instituting a weekend/evening college program, where students can come and acquire their education in the exclusively in the evenings and on weekends.

Senator THURMOND. So, you are giving evening classes?

Mr. SMITH. Yes, we are giving evening classes.

Senator THURMOND. How many college are giving evening classes, raise your hands, let us see how many?

[A show of hands.]

Just about all of them. Thank you.

Mr. SMITH. What we plan to do is be in a position where we can offer degree programs in the evening. Now, this may result in having to reduce some of the daytime course loads and moving that, switching that into evening programs.

I might also mention that there is a request on a continual basis, and it is growing, of industry within this area and in the other communities to help their employees improve their skills, by providing educational opportunities for them. In a lot of cases, these companies are asking for opportunities to send their employees into degree programs.

Now, what we have done thus far, we have combined our efforts with the technical colleges in the State. We are working very closely with Greenville Technical College, and we offer some degree programs through Greenville Technical College. In collaboration with Greenville Technical College, engineering technology, for example, a student will never end up on our campus, only for graduation, in a practical sense. That student will get their associate 2-year degree from Greenville Tech, remain in Greenville and attend

Greenville Tech, and be taught by South Carolina State College faculty and ultimately receive that bachelor's degree.

Now, that is taking the program from South Carolina State College up to Greenville, so that can take place. We see the need of doing that kind of thing.

Senator THURMOND. You are doing that now?

Mr. SMITH. Yes, we are doing that now. We need to expand that possibility, but particularly in our community. We also think that, by telecommunications, and we are working at that and developing that with South Carolina Educational Television, so that we can offer courses in various communities throughout this State, along with the other institutions in the State.

Senator THURMOND. Any other colleges doing what he just mentioned he is doing with Greenville Technical College?

[No response.]

All right. As each of you are no doubt familiar, title III, part B of the Higher Education Act provides grants to historically black colleges and universities for faculty development, administrative management, improvement of academic programs and other strengthening programs. What impact would you say title III has had on the overall operation of each of your schools?

We will just start down here. Go ahead.

Mr. WATTS. Title III, part B has had a very important impact on Benedict College. I mentioned a couple of the benefits in my report, additional benefits. I mentioned the honors program that we have developed, a very creditable honors program. We have developed a comprehensive faculty development program that has upgraded skills and professional experiences of our faculty. We have had persons to go to school to receive terminal degrees. We have had other persons who have upgraded by simply taking courses. We have sent faculty to professional meetings and conferences. We have had seminars and workshops on the campus. So, overall, the faculty development program has been very important.

We have begun a continuing education program that addresses the question that you asked just a few minutes ago. We do have evening and Saturday classes. Currently, we are offering degrees through a continuing education program that is supported by title III in four areas: the criminal justice area, the business administration area, social work and teacher education, and elementary education.

We have had a number of other programs. One very important program that we started this year is what we call the BC Cares, which is the center for academic reinforcement enhancement and support. That program has as its ultimate aim to increase student retention, so that we keep more of the students that we get. Since the pool is shrinking, we want to be able to, we think it is very important, not only that we recruit students, but that we retain more of the students that we recruit and enroll at the college. There are other programs that we have developed under title III that have been very successful.

Senator THURMOND. Dr. Coleman, do you have any remarks on this subject?

Mr. COLEMAN. Yes, sir. In 1983, the Research Triangle Institute conducted a study on the 10-year impact on developing institutions,

including historically black colleges. I was privileged to serve on that as one of the resource persons and consultants.

One of the major findings of that study was that institutions had used title III funding to be moved from a declining institution to a positive developing institution. My comment would be that there might be reason to take another look at that study and to look at those things that worked that are cited in that study and to give more support to those in 1991, as institutions have gotten more input to the kinds of things that can be funded through those programs.

Senator THURMOND. Dr. Richardson, do you have any suggestions?

Mr. RICHARDSON. Title III has been very, very significant in the development of Morris College, especially over the past 10 to 15 years. For example, in faculty development, we have gone from 28 percent earned doctorates 12 years ago to now 52 percent are earning doctorates on our faculty, which is just an example of faculty development.

In program development, you know, we are an open-door policy institution, and title III has assisted us to put into place a very excellent program to serve the needs of an open-door policy institution. We have also been able to computerize all of our operations. We have put into place management systems that have increased and improved the school's management operations and its business operations, and, of course, we have honors programs, evening classes and many other kinds of things that have come under title III.

But I think we are proudest of the fact that our student retention rate over that period has jumped from 35 percent to a little over 70 percent.

Mr. SMITH. Senator, I would like to mention two things. One, in all of the things that my colleagues have said, we are certainly benefiting title III. I think one of the things that have been most encouraging has been the start of a school of freshmen studies in South Carolina State College. The purpose of that school of freshmen studies is to give an opportunity for each entering freshman student and some transfer students to be tested, to find out where their weaknesses are, and where we find weaknesses in English or in Math. We prescribe programs right away that will help them through those initial stages, so that by the time they become sophomores and juniors, they are better prepared to continue that matriculation at that institution.

Now, I think, without a doubt, that has certainly helped with our attrition ration, and I highly would like to just emphasize again the fact that that school of freshman studies and testing program—incidentally, Commissioner Sheheen and the Commissioners have assisted us with our school of freshman studies in a great way. In fact, they have provided funding for our psychometric center, and that works hand-in-hand with the school of freshman studies.

Now, I might also mention that, through title III, we have been able to improve our library tremendously and the library holdings and its capability. Yesterday, we had a new development at our library that I think everyone should be proud of, and the money came from title III.

Now, I want you to indulge just a moment to allow our vice provost Dr. Davis to just say what that development was. He can do it much better than I. Dr. Davis, would you elaborate on that?

Senator THURMOND. Dr. Davis.

Mr. Davis. Over the last 4 years, we have been working to automate our library, and yesterday we inaugurated the first phase of that automation, and we have the beginning of what we call mill line, which is an integrated on-line system. The first phase of the system is the cataloging. All of the books of the library can now be assessed via computers which are housed in the library, by telephone lines, they call to the library to search the catalog system to find out what the services are and what resources are available.

As the other phases of that system go on line in the next couple of years, then the whole library will be completely automated to serve our students, as well as our community much more effectively. We are very proud of the inauguration yesterday, and the automation of the library system here at the college, which is funded primarily by title III funds.

Mr. SMITH. At a cost of over a million dollars.

Senator THURMOND. Thank you.

Dr. Dawson.

Mr. DAWSON. Senator, I think you can readily see from what you have just heard in the last few minutes what the real value of the title III program is. I think it goes to the heart of what our institutions are about. The diversity of programs, and the diversity of interests of each institution has been reflected in what title III has been permitted these institutions to do.

The legislation, with its broad parameters, provides opportunity for the institution to define their own needs and to focus their moneys on addressing those needs. You have heard needs from libraries to honors programs to freshman programs, and when I think about my own institution, our needs are curriculum development. We have done an excellent job with title III funds in just developing a major program in computer science. Our strongest program now is computer science. We have three well-equipped labs, and many of our students now are going into the computer science area and are coming out and going immediately into the job market, without any problem.

The other problem we have always had, as many of the other institutions here represented, is that our buildings are old and they are in need of extensive repair. One of the very real advantages of title III presented to us now, with the amendments of not long ago, is the opportunity to provide money for remodeling the old structures that we have. Voorhees College is devoting 30 percent of its title III grant to improving its facilities, and when we do that, along with the new building that you so graciously helped us get, we are going to have a new looking campus over there. Title III is a very, very effective program, because of its flexibility, its interest in the institutions and their ability to direct those resources within the broad funding parameters to the needs the institutions have.

Senator THURMOND. Dr. Bryan.

Mr. BRYAN. Thank you. In 1986, when I arrived on the campus of Denmark Technical College, the college was not eligible to receive title III funding, and your office, Senator Thurmond, helped us to

acquire that eligibility. Now we are eligible to receive title III, part B funding.

Since that time, we have received about $400,000 a year, and we have used that money to help faculty development. We have been able to send many of our faculty members off for specialized training to keep up with the changing technology in our world today, and others have pursued advanced degrees.

We have done much to build a management information system that is so important to managing an institution of higher education. We have been able to procure hardware and software. That program has been most meaningful to the institution in this regard.

Not only that, we have been able to add volumes to our library learning resources center to support two or three new programs that we have brought on board since 1986. We know that the State will not ever be able to provide all of the money that we need, so we are working diligently to acquire funding from the private sector and, with title II funding, we have been able to enhance and strengthen our institutional advancement function.

Even more importantly, we have been able to set up an office for curriculum enhancement. It has done much in the way of curriculum research design and development. Our title III funding has also assisted us in strengthening our development studies program. As you know, large numbers of students come to college these days that are not fully prepared for college level work, and we have been able to acquire computer-aided instruction equipment to assist with this very important work.

So, I have nothing but praise to sing for title III, because it has done a tremendous job at Denmark Technical College, in light of the fact that we are not in the richest State in the Union, and we have many very important needs.

We do believe, however, that after the next year or so, I can see the light at the end of the tunnel. We will eventually reach self-sufficiency.

Senator THURMOND. Thank you.

Mr. Smith. I do not believe your college receives title III aid.

Mr. SMITH. It does not.

Senator THURMOND. It is a junior college.

Mr. SMITH. It does not. In fact, it is not accredited, it has not been accredited, and it is ineligible for title II funds.

Senator THURMOND. Now we will go to another question. Of all the different student aid programs: Pell grants, Stafford loans, supplemental loans for students, Plus loans, Perkins loans, college work-study, supplementary educational opportunity grants, State student incentive grants, and income contingent loans, which two programs are the most important for students attending your institutions?

We will just start down here, Dr. Watts.

Mr. WATTS. The Pell grant is the most important. That is the most important, and I think perhaps the college work-study program.

Senator THURMOND. Dr. Coleman.

Mr. COLEMAN. Pell and college work-study.

Senator THURMOND. Dr. Richardson.

Mr. RICHARDSON. It would be Pell grants and college work-study, and, of course, SEOG.

Senator THURMOND. Dr. Smith.

Mr. SMITH. Pell, work-study and SEOG.

Senator THURMOND. What?

Mr. SMITH. Pell grants, work-study and SEOG, in that order, Senator.

Senator THURMOND. Dr. Dawson.

Mr. DAWSON. The same, Senator, Pell grants first off, and SEOG second, and work-study.

Mr. BRYAN. I certainly would agree with what has been said, except that we do believe that Pell grants are most effective.

Mr. SMITH. Pell grant, college work-study and SEOG, those three.

Senator THURMOND. All right. Now, we will move on to another question. As you know, one of the big issues in the reauthorization is what to do about the increase in student loan defaults. Default costs to the Federal Government is at an all-time high of $2.9 billion in 1991. As educators and administrators, what do you believe is the primary cause for most of these defaults, and how should we go about developing a comprehensive solution?

Dr. Watts, we will start with you.

Mr. WATTS. I have a statement about that in my report. We have first-generation college students, students from economically deprived backgrounds who are acquiring these loans. They are also students, to a large extent, who are high-risk students.

Now, I think one of the major problems is that many of the defaults are coming from students who fall victim to attrition, and once they are out of school, then, of course, they experience extreme difficulty in repaying those loans. Their families, if they are first-generation college students, their families may not be able to give them the assistance that they need in repaying the loans. So I think that a complex of factors is what contributes to the default rate.

In terms of solutions, we have talked about this at our school and we think that the lending institutions should be required to take on more of the responsibility or accountability for the loans, for collecting on the loans, rather than the entire responsibility being given over to the institutions. We think that if some kind of a plan could be developed, if the manner in which the loan defaults are handled could be handled could be restructured, so that the lending institutions have more responsibility, then that would take some of the burden and the penalty, so to speak, off the institutions and equalize it somewhat.

Senator THURMOND. I believe we have to limit it to 2 minutes each one, in order to get through here.

Dr. Coleman.

Mr. COLEMAN. I think the basic cause has to do with inadequate entitlement funding, Pell grant and SEOG. I think it is complicated by making loans to freshmen before they have an opportunity to get from the burden of maybe being the first-generation college going student, and then being dependent upon perhaps support the family and younger brothers and sisters.

On the solution, I think that we can move from a punitive situation to the colleges to a reward system. I think that the idea of

looking at the amount of money in default and making some kind of reward system and also establishing a centralized area to assist the colleges. In short, the colleges simply do not have the manpower and the resources to take a complicated issue. Because of those resources, we believe they should be devoted to more direct education, so we need some assistance from an outside group to help with the processing and the cost of that processing.

Senator THURMOND. Dr. Richardson.

Mr. RICHARDSON. As I indicated in my testimony, I think we should place emphasis on awarding loans to upper classmen who have made it through the first 2 years and are more likely to graduate and get a job. Then, of course, I think we should find ways to do a better credit-worthiness check on students who are going to get the loans. Of course, I believe collection strategies must include the lending agencies and other persons in that area, as well as the college, if we are going to succeed in lowering these default rates.

Senator THURMOND. Dr. Smith.

Mr. SMITH. Senator, I do not believe that enough emphasis has been placed on the fact that these loans have to be repaid. I do not think people have been made to realize that they will have to pay, if they do not repay the loan, and I think that has to be done.

Second, I sincerely believe that we need an outside agency created to handle this collection process, and I think we ought to do that; it ought to be available. The colleges and universities should be expected to cooperate 100 percent with that collection agency or office. That office should be able to, number one, have the Social Security numbers of people who hold loans and go after the money through the employer, and I think the employer should be responsible for that.

Senator THURMOND. How soon should they start?

Mr. SMITH. How soon should they start the entire program?

Senator THURMOND. Start collecting.

Mr. SMITH. Oh, I think they should start collecting as soon as, number one, that student either graduates or is no longer enrolled in school. I think that either the student graduates——

Senator THURMOND. Would you give him a year to work, to have a chance to pay it, or——

Mr. SMITH. If he graduates, I think we should be able to give him some time to get into the job market.

Senator THURMOND. How long?

Mr. SMITH. I do not know if it should be a year. I think we need to start collecting soon. I do not think it needs to be a year. I think a small portion on a monthly basis could be started right away.

Senator THURMOND. Thank you.

Dr. Dawson.

Mr. DAWSON. Senator, it is obvious that our students follow the same pattern that my colleagues talked about. Our statistics show that the students of Voorhees College who default are students who do not complete. They come in and stay a year or a semester, increase their loan burden after a semester or a year and drop out. They do not finish, because of academic problems, for the most part, and they are the students who are defaulting.

I talked to you about $124,000 that Voorhees is in default at this particular point. About $90,000 of that money has been identified

as students who have come into the institution and who have not graduated.

Senator THURMOND. And have what?

Mr. DAWSON. Have not graduated, so those students did not persist and that is where the bulk of the default is. As I look at the Federal $2.4 billion, and the government is paying 45 percent of that appropriation for program obligations, I think if we are talking about reducing the rate, we ought to take into consideration again the amount of money that is involved in an institution's default situation and go after that money. If we want to collect, we have to go after the money, because the default percentages skews the issue and it puts up a ghost, as far as I am concerned, because the money is not that much.

I do agree that we have to be sure, as Dr. Smith said, that the students understand that they have an obligation, once they take out a loan, to pay it back.

Senator THURMOND. Dr. Bryan.

Mr. BRYAN. I could make a few comments on the subject. Of course, all of us know that colleges do not control the process of qualifying recipients. But as Dr. Dawson has indicated, we can identify very early on those students who are likely to drop out and default. Our situation is similar to his on that.

I also agree with the fact that the inadequacy of Pell grants may somehow relate to that, particularly in the first year. Colleges certainly must do all that they can do to counsel students, to make it very, very clear that that is borrowed money and that they must pay it back. I agree with that, but I do not believe that colleges really have the resources to do the job totally. So, I agree with Dr. Smith, there must be some specialized agency to do that kind of work.

There are those who have said that maybe the Internal Revenue Service could deal with that, with some modification. Some agency, I would agree with Dr. Smith, I believe will have to work with the institutions of higher education to demand and insure that that money is repaid.

I believe that most institutions of higher education would be more than pleased to support and cooperate in such an endeavor, but I believe that most institutions are just simply not prepared to deal with the specialized work of collection. So, I would agree that one way to approach the problem or to solve the problem is an idea of some special agency to deal with that, with strong support on the part of the institutions of higher education.

Senator THURMOND. Dr. Smith.

Mr. SMITH. I think, according to the information that we have gotten, that we certainly should be more careful with providing loans for those freshmen students, because, from the information we have, they are the ones that sometimes drop out, and when they have dropped out, we have serious difficulty trying to get your hands on them, to follow them up and see that they make those payments.

I think if we would provide something in the area of college work-study or SEOG, for them to do some work with the Pell grant, in our particular case I think it would be better. Second, in order to try to deal with this default issue, I think that there

should be some careful study and come up with an agency or something, that a recommendation would be approved that we could do something about this serious problem.

Mr. SMITH. Senator, I would want to make a comment. I want to take issue with my colleagues that feel that freshmen students should not receive these loans. I am afraid that if we eliminate freshmen and sophomore students from being eligible to receive the loans, that we are going to lose freshmen and sophomore students, a considerable number of them.

My position is that we make it very clear that loans are repaid, and that if they are not repaid, then you pay the costs for that. But I do not think we need to even consider, in my opinion, eliminating the possibility along the way at any time of freshmen and sophomores receiving loans. I think it is important that we leave that door open to them.

Senator THURMOND. Mr. Talbert just handed me a memorandum here. Why don't you read it to them?

Mr. TALBERT. It basically says that, under current law, the reconciliation legislation last year, if a school has a default rate of 35 percent or more for 1991 and 1992, then that school would no longer be eligible to receive Federal financial aid for its students. However, there is an exception for historically black colleges and universities, and that exception is it does not kick in and apply to them until 1994.

Mr. SHEHEEN. Senator, I want to interject one thing here. I think what we are seeing in terms of the default rate is a result of the broad shift over the 1980's from grants to loans. Now, I think that Congress ought to look at how much better off this country and a number of students would have been, if the money that the Federal Government is losing in defaulted loans had been invested in Pell grants, because it would have cost the Federal Government the same amount of money they are going to lose in default loans or they are going to give it away in Federal grants.

Now, I do not know exactly how that would be correlated, but it seems to me that—and I have students who come into my office and talk to me after they go to one of these institutions or some other institution in the State and take out a loan for $4,000 or $5,000, and they no longer are in college, because they are not attending at the first year or the second year for some reason, and here they are out there with a meager paying job and a loan that they have got to pay off and they do not have the benefit of enhanced earning power because they did not finish college. So, they are out there in a very menial job, with this big old loan outstanding from which they are never going to get any benefit, because they are not going to finish college, and it is a tough situation to put a student in, to be out of college, no degree and a big old loan to pay off, and no credentials for getting a good job.

I think all that militates to Congress looking to enhancing the Pell grant program, instead of persisting in visiting these kinds of indebtedness on young people who are not quite in control of their own destiny, based on the ones that I talk to when they come into my office.

Senator THURMOND. Now, we will come to the last question, and then we are going to have a talk here by the representative of the State Department of Education.

Do any of you have any final recommendations or comments with respect to the reauthorization? Just take about a minute each, and we will start with Dr. Watts.

Mr. WATTS. I think strengthening of the title III programs, part B in particular, we would like to see that program maintained and strengthened. I mentioned one already, the one in which the student loan defaults are currently handled, we would like to see that restructured so that the responsibility does not fall solely on the institution and the institutions are not penalized. The manner in which default rates are calculated should be restructured in a way that both percentages and actual dollar amounts are factored into the formula for the rate. I think I gave the others earlier.

Senator THURMOND. Dr. Coleman.

Mr. COLEMAN. We would endorse the recommendation of NAFEO regarding the Reauthorization Act.

Senator THURMOND. Dr. Richardson.

Mr. RICHARDSON. I will take this opportunity to endorse the recommendations of the United Negro College Fund.

Senator THURMOND. Dr. Smith.

Mr. SMITH. I would endorse the recommendations of NAFEO. I would also recommend, as Commissioner Sheheen has said, that Congress put more emphasis on the Pell grant, rather than on loans. I would finally recommend that in the loan situation, that we have some kind of outside agency established to handle the collection of those loans, with the cooperation and assistance of the institutions.

Senator THURMOND. Dr. Dawson.

Mr. DAWSON. We would like to recommend that the Congress consider a program, Senator, to strengthen the professorate at these institutions, that it include in this reauthorization package a fellowship program for persons at the Ph.D. level, and I have it spelled out specifically in my testimony.

Senator THURMOND. Dr. Bryan.

Mr. BRYAN. I certainly would recommend that we do much more to strengthen the endowment programs at the historically black colleges. I certainly would endorse the idea of more grants, and let the emphasis move away from loans. I would suggest that we add more flexibility to title III part B, and that is to allow institutions to pursue reasonable courses of action, as long as it is directed toward the improvement of the institution.

Senator THURMOND. Dr. Smith.

Mr. SMITH. We are not in that area. However, I definitely would recommend that Pell grant aid be increased and that we do less for loans, in order to try to clear up this debt.

Senator THURMOND. I want to thank each one of you for your comments.

Mr. Sheheen, do you have any final words for us?

Mr. SHEHEEN. Senator, I wanted to say that these gentlemen have thoroughly explored this question with you and the staff today, and I do not know of any occasion that has been more bene-

ficial for higher education than your bringing the hearing to South Carolina, and we are grateful to you for it.

Senator THURMOND. Again, I want to commend you for the outstanding job you are doing as Commissioner.

Mr. SHEHEEN. Thank you.

Senator THURMOND. We are now ready to hear from the representative of the State Department of Education. I believe Ms. Nielsen could not come, and Ms. Pritchett of the Office of Instructional Technology is here to speak in her place.

Ms. Pritchett, if you could speak to us for about 10 or 12 minutes.

STATEMENT OF PAMELA PRITCHETT, OFFICE OF INSTRUCTIONAL TECHNOLOGY, STATE DEPARTMENT OF EDUCATION

Ms. PRITCHETT. It will be no longer than that, I can assure you.

I am Pamela Pritchett, as you said, from the Office of Instructional Technology. First of all, I want to take the opportunity, as a citizen, Senator Thurmond, to say thank you for everything you do to help improve the quality of life in South Carolina, not just in education, but in all areas, and we do thank you for that.

Senator THURMOND. Thank you very much.

Ms. PRITCHETT. I want second to say that Dr. Nielsen is very sorry that she could not be here today. A legal situation detained her, and so I am a substitute and I would say not the top substitute for her, because nobody can take her place here today, but I am bringing her remarks to you and to say that any questions that you have regarding K through 12 education on this issue, I will be glad to take those questions back to her and she will be glad to respond to them in writing for you.

On behalf of Barbara Nielsen,

I am pleased and honored today to be invited to appear before the Labor and Human Resources Committee's Subcommittee on Education.

I have devoted my entire adult life to education—as a teacher, as an administrator and education planner, and now as South Carolina's Superintendent of Education.

Our mission in the State Department of Education is to provide equity and excellence for all the children of South Carolina. Our focus is primarily on kindergarten through 12th grade, but our successes will mean that smarter students with better minds will be heading into our system of higher education, whether into one of our colleges, universities or technical schools.

We are asking the Federal Government to join us in this mission, because we are convinced that a strong primary, secondary and postgraduate educational system is truly vital to our economic, political, social and cultural strength as a Nation.

South Carolina's commitment to education and to education reforms cannot be challenged. Indeed, our State has a history of being on the front lines of reform and innovation, as educators and public officials searching for ways to improve our educational product.

Governor Jim Edwards fought for the Education Finance Act in the 1970's. The EFA allowed our State to start sharing its financial resources for education more equitably across South Carolina.

The reforms continued under Governor Dick Riley. Our State Legislature passed the Educational Improvement Act of 1984 and raised the sales tax by a penny on the dollar to finance education reforms. The idea was to raise the standards, toughen the curriculum, and make our students more competitive with students across the country.

Governor Carroll Campbell pushed the reform movement a step further with Target 2000. These reforms are designed to free deserving schools from the regulatory process and find new and better ways to teach our children.

My goal, as Superintendent of Education, is to make sure the reforms are working for all of the children of our State. We need to look hard at what is working and what is not, making sure that the best of these reforms are being shared with students across the State, making sure that we discard the reform programs that have not been successful.

These are tough economic times, and we have to make sure that we do the most we can with limited financial resources. We also have to make sure that we work closely and collaborate our efforts with higher education officials in South Carolina. Working together, we can make sure our children are prepared for postsecondary education, and the training and education we give them fits the needs of our State's colleges and universities and technical schools.

The idea is to bring schools and colleges closer together and to help remove many of the obstacles that face students, parents, counselors and admissions officers, as they chart the course from one level of education to the next. Working together, we can find new and better ways to find out which students are ready for college. We can find ways to help at-risk students and help secondary students develop the communications skills and the problem-solving skills they will all need in college.

Working together, we can increase the number of secondary students moving on to college, staying there longer, and succeeding while they are there. We can make the system work better for all students, not just those identified as "above average." We are already working together to make that a reality.

Fred Sheheen and I, on behalf of the Commission on Higher Education and the South Carolina Department of Education, have established the South Carolina Council on Educational Collaboration.

This council will bring together the higher education commissioner, the State education superintendent, the presidents of the State councils of public college presidents and the private college presidents, a school district superintendent, the Governor's Professor of the Year, South Carolina's Teacher of the Year, a school principal, the dean of a college of education, curriculum specialists from elementary schools and secondary schools, and representatives from the State Chamber of Commerce and the business community.

The goal is inter-agency cooperation. During these times of fiscal constraint and calls for increased accountability, the entire educational community must join together to provide the highest quality

education and educational services possible for the people of South Carolina.

Working together, the State Department of Education and the Commission on Higher Education will use existing personnel for staff assistance, and we will provide modest funding from our existing budgets to make this collaborative effort a success. We owe it to the taxpayers of South Carolina, and our success is vital to the children of South Carolina.

Our students and young people must be prepared. They must learn the things in primary and secondary schools that will prepare them for the educational challenges ahead.

More and more of our high school graduates are going to college each year, and they are doing better and better, once they get there. The graduates of our high schools will be getting a better education than the ones who came before them, and we will expect these graduates to perform better at the college or technical school level.

Ten years ago, in the Class of 1981, more than 37,000 students earned diplomas. Just more than 17,000 of them entered college the following fall. That is about 44 percent. The numbers have been getting steadily better, but they are not nearly good enough.

The Class of 1989 had fewer students than the graduating class of 10 years ago, but more of those students went on to college or to degree programs in technical schools.

Last year, South Carolina schools graduated 37,021 seniors and 18,133 of them went on to further their education. That is about 49 percent, and they have succeeded. Overall, they passed 93 percent of the courses they completed.

That class of college freshmen from South Carolina schools passed 95 percent of their English and language arts courses, they passed 90 percent of their math and science courses, 93 percent of their social studies and social science courses, 95 percent of their arts and music classes, and 97 percent of their elementary and secondary education courses.

Primary and secondary education in South Carolina continues to benefit from innovation and reform, and so must higher education in our State. We have most of the money we need to do the job in elementary and secondary education in South Carolina, but the higher education system needs more money in order to do the job it is capable of doing. Higher education simply must have the resources it needs to continue what we have been able to start and to keep our students competitive in an increasingly competitive work place. The Federal Government must do its share for higher education.

This subcommittee has come here to South Carolina State College to hear public testimony on the reauthorization of the Higher Education Act. We must all work together, State and Federal education officials and State and Federal public servants, to increase the number of black professionals in our classrooms.

On the State level, we could help by providing people with bachelors degrees initial certification to teach in the area in which they have earned their degrees. This would be especially helpful for men and women who come from predominantly black colleges which may not have the funding necessary to finance additional teacher

education programs. Such flexibility on a postbaccalaureate certification program could erase the stumbling block which now requires many fine would-be teachers to go back to school for another BA degree or for a masters of arts in teaching, just to be able to go into the classroom and share what they have learned with a new generation of students.

On the Federal end, we join the Commission on Higher Education in asking that the 1991 Reauthorization Act focus, in part, on a competitive grants program, to find innovative ways to help our Nation's undergraduates.

We concur in their call for the Fund for the Improvement of Postsecondary Education to be reshaped to allow 2- and 4-year public colleges to be able to compete for grants to strengthen the education and expand and enhance the educational experiences of our undergraduates.

We are working at the State level to restructure our primary and secondary school curriculum and to find better ways to educate our children.

We join our Higher Education Commission's call for a move beyond the traditional cafeteria-style curriculum and move toward new and better-defined college curricula. Working together, we can find better ways to teach students and to teach our new teachers to teach.

Our mission at the South Carolina Department of Education includes making students more active players, and not just passive recipients of the learning process. We will find ways to reach and teach all the students in our system,because every child can learn and every child can perform at high levels. And when we succeed at the primary and secondary level, our graduates will not be content with huge lecture halls and traditional college teaching and learning methods.

Your challenge, as Federal lawmakers working with the 1991 Reauthorization Act, is to help give our postsecondary schools the tools they need to meet the needs of the students of the future. We must also work together to make the classrooms and the curricula of tomorrow more responsive and more in touch with the student population that is more diverse than ever before.

This means we must all work harder, to be sure that the care and composition of our curricula, our faculties, and our administrative staffs more accurately reflect the cultural and racial heritage of the students we teach. This means giving more relevance to what we do at all levels of education, and to that end, we must find ways to take education out of the lecture halls, out of the library and off of our campuses and into our cities, towns and neighborhoods, leading our students into commitments to public service and commitments to community.

We must also find ways to attract the members of this increasingly-diverse student body that we are trying to serve. You, as lawmakers, could help that process by making more grant money available to help deserving minority applicants finance their postsecondary education dreams. The challenges are great, but the rewards are extraordinary. Working together, we can succeed.

We in South Carolina are moving along a path of partnership with a commitment for cooperation. We will achieve great things

for everyone, from the youngest child in preschool to the people who have spent years in the fields or factory and now seek the formal education they may have abandoned half a lifetime ago. The 1990's are a time of great challenge and great opportunities for the colleges and the students, and we are all here to help and serve. State and Nation, working together, can make it happen.

Thank you very much.

Senator THURMOND. I want to thank you very much for an excellent statement. I wish you would tell Dr. Nielsen that you represented her well and that her statement is outstanding.

Ms. PRITCHETT. Thank you.

Senator THURMOND. Ms. Pritchett, there are a few questions that you can have her answer for the record and send them to Mr. Talbert, to my attention.

Ms. PRITCHETT. Yes, Senator.

Senator THURMOND. Thank you so much.

I want to thank South Carolina Educational Television for covering this hearing. Mr. Henry Cauthen has done a great job with South Carolina ETV, and I want to commend him and his staff, and to say that it is a great asset to South Carolina, to have the SCETV in our State. There is no State in the Nation that has done a better job with ETV than Mr. Henry Cauthen has in South Carolina.

Again, I want to thank each of you college presidents for being here and participating, and I stand ready to assist you in any way I can.

I want to thank all others who have come and shown their interest here, and we appreciate their presence.

Is there anything further anybody would like to take up? If so, raise your hand.

[No response.]

Thank you very much.

[Additional questions and answers submitted for the record follow:]

QUESTIONS FROM SENATOR THURMOND FOR DR. NIELSEN

Dr. Nielsen, I am aware that most of your work involves education policies affecting students in kindergarten through twelfth grade. However, as you know, preparation for further education after high school—whether at a tech school, community college, junior college, or college—begins in many cases, during the junior high and high school years.

Almost two weeks ago, President Bush announced his education reform strategy for the Nation—"America 2000". This strategy builds on four themes:

(1) Creating better and more accountable schools for today's students;
(2) Creating a New Generation of American Schools for tomorrow's students;
(3) Transforming America into a Nation of Students; and
(4) Making our communities places where learning will happen.

Would you share your general comments on the "America 2000" strategy, and second, your views on how this strategy might better prepare young people for further education after high school?

One component of the new plan would involve the development of a system of voluntary National examinations which would be made available for all fourth, eighth, and twelfth grade students in the five core subjects of English, mathematics, science, history, and geography. One goal of the tests is to have a gauge to measure progress, and help ensure that when students leave high school, they are prepared for further study or entry into the workforce.

As State Superintendent of Education, what are your views on voluntary National testing, and do you think such testing will lead to better-prepared high school graduates?

Another component of the "America 2000" strategy involves "school choice", where parents would have the freedom to choose what schools their children attend. As you know, there are a wide range of opinions on this subject.

While many details remain to be developed, do you have any comments on school choice and the practical effects it might have at the local level?

As you may know, at the end of February 1990, President Bush and the Nation's Governors adopted six National education goals to be achieved by the year 2000. One of these goals is that "By the year 2000, the high school graduation rate will increase to at least 90 percent".

Would you share with the Subcommittee how we are doing generally in South Carolina on graduation rates, and what percentage of high school graduates continue their formal education after high school?

Do you have any suggestions for how the State might reach the 90 percent goal by the year 2000?

Dr. Neilsen, there has been some discussion in the education community about the need for a longer school year at elementary and secondary schools. As you may know, at the present time, the average school year in this Country is 180 days, in Japan—243 days, in South Korea—220 days, in Italy—216 days, in Britain—196 days, and in France—190 days.

Earlier this month, the Senate passed a bill authorizing the establishment of a nine member National Commission to conduct a study and make specific recommendations on the advisability of establishing a longer school year.

Do you have an opinion on the likely impact a longer school year might have and whether such a change would help in better preparing graduates for higher education?

One of the frustrations for many parents and students is filling out the lengthy, and often cumbersome financial aid application forms during the student's senior year in high school.

What role do high school guidance counselors play in this process and do you think students are well-informed about the different types of Federal aid available for higher education?

Dr. Nielsen, thank you very much for taking time to be here, and I appreciate your responses to the questions.

Do you have any final recommendations or thoughts with respect to preparing students for college?

Thank you very much.

Responses to Questions from Dr. Nielsen

The most important component of President Bush's America 2000 Proposal is in its very title. . . . "An Education Strategy." What is important is that it is more than a program, an appropriation request, a pilot project; instead it is a long term commitment that builds on the diversity of student needs, celebrates this country's support for local control, and seriously promotes the governors' policy intentions as defined in the national education goals.

Question 1: How will America 2000 better prepare young people for further education after high school?

Answer. I would like to suggest that the president's plan in no way promotes the traditional idea that high school is the end of learning. Instead, the strategies that the President is promoting make lifelong learning the center piece of our future as a nation.

Question 2: As State Superintendent of Education, what are your views on voluntary national testing?

Answer. A voluntary national testing platform will inspire standards of equity and excellence. I believe this country has the wherewithal to create a world class testing system that recognizes each child's individual worth, accomplishments and effort. Such a system will not only lead to a better prepared high school graduate but will guarantee improvements in higher education as well.

Question 3: Do you have any comments on school choice?

Answer. School choice must become a highly sophisticated, well developed component of systematic school reform. I believe that the entire system must change. Otherwise, choice becomes another education recipe that most American families will find hard to swallow.

Question 4: Do you have any suggestions for how the state might reach the 90 percent goal for graduation by the year 2000?

Answer. In 1989, 68 percent of South Carolina's young people who were born in 1971 graduated from high school. Further, the percent of those same first graders who entered college after graduation was 33 percent.

While there are a number of education reform efforts that will improve graduation rates, I believe that first order change is dependent upon developing challenging curriculum frameworks. The implementation of these frameworks will impact the entire technology of teaching and learning including such things as testing and evaluation practices, teacher professionalism and teacher creditialing. The very essence of the learning environment must change if we expect students to stay with us, graduate on time, seek higher education, and find value in lifelong learning.

Question 5: Do you have an opinion on the likely impact a longer school year might have and whether such a change would help in better preparing graduates for higher education?

Answer. While I value the concept of extended learning opportunities, without systemic change, merely adding days to the school calendar will guarantee us no more or no less than adding more dollars to the same old school spending plans. My vision includes a commitment to powerful uses of technology which extend and refine the way teachers and students spend their time, thus, dramatically improving the nature of who learns what, where, and how.

Question 6: What role do high school guidance counselors play in the process of acquiring financial aid and are students well-informed abut the different types of Federal aid available?

Answer. Guidance counselors have traditionally played a major role in guiding students to resources for extended education. The entire education system must become more accountable, particularly higher education. The K-12 system has become accustomed to routine scrutiny for the same dollars, we all must examine the quality of our spending with responsibility to parents, students, and ultimately, the nation's economy. It is troublesome that the expenses of higher education have grown to a point where the average American family considers higher education out of reach for their children.

I appreciate the opportunity to provide this testimony and invite the nation's leaders to South Carolina to witness our efforts to establish a world class system of public education built upon the premise of equity and excellence for all children. Thank you.

Senator THURMOND. The hearing stands adjourned.

[Whereupon, at 12:40 p.m., the subcommittee was adjourned.]

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